

**OHIO WATER
DEVELOPMENT AUTHORITY**

Financial Statements

December 31, 2005

(With Independent Auditor's Report Thereon)



**Auditor of State
Betty Montgomery**

Ohio Water Development Authority
408 South High St.
Columbus, OH 43215

We have reviewed the *Independent Auditor's Report* of the Ohio Water Development Authority, Franklin County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ohio Water Development Authority is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

May 3, 2006

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DEVELOPMENT AUTHORITY**

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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS
www.cshco.com

Independent Auditor's Report

Ohio Water Development Authority
408 South High Street
Columbus, Ohio 43215

We have audited the accompanying financial statements of each major fund of the Ohio Water Development Authority (the Authority), a component unit of the State of Ohio, as of and for the year ended December 31, 2005, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position and the changes in the financial position and cash flows of only that portion of each major fund of the Authority that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the State of Ohio and the results of the State of Ohio's operations and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Authority, as of December 31, 2005, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2006 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquires of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the Authority's basic financial statements. The individual combining schedules for each major fund are presented for additional analysis and are not a required part of the basic financial statements. We subjected the individual combining schedules for each major fund to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Clark, Schaefer, Hasbitt & Co.

Springfield, Ohio
March 15, 2006

OHIO WATER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

December 31, 2005

As management of the Ohio Water Development Authority (the Authority), a discretely presented component unit of the State of Ohio, we offer readers of the Authority's financial statements this unaudited narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with the Authority's audited financial statements, which begin on page 8 of this report.

Financial Highlights

- The Authority's net assets increased during fiscal year 2005 by \$150,993,519 or 6.65%.
- During 2005, the Authority's loan receivable balance increased by \$326,760,640 or 11.16%.
- In 2005, the Authority earned \$47,587,150 in investment income, which is a \$19,909,803 or 71.9% increase compared to 2004.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three components: 1) combining financial statements, 2) notes to financial statements, and 3) individual schedules of combining statements.

Combining financial statements. The Authority follows proprietary fund accounting, which means these statements are presented in a manner similar to a private-sector business. The *combining financial statements* are designed to provide readers with a broad overview of the Authority's finances by fund and in total. These statements offer short and long-term financial information about its activities.

The *combining balance sheet* presents information on all of the Authority's assets and liabilities, including information about the nature and amounts of investments in resources (assets), the obligations (liabilities) of the Authority and the Authority's net assets as of December 31, 2005. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *combining statement of revenues, expenses and changes in fund net assets* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation and earned but unused vacation leave).

The *combining statement of cash flows* provides information about the Authority's cash receipts and cash payments during the reporting period. This statement summarizes the net changes in cash resulting from operating, investing and noncapital financing activities.

Each of the combining financial statements highlight programs of the Authority that are principally supported by loan and investment income, programs that are intended to recover all or a significant portion of their costs through program fees or investment earnings on contributed capital (*business-type activities*). The combining financial statements can be found on pages 8-13 of this report.

OHIO WATER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the combining financial statements and individual schedules of combining statements. The notes to financial statements can be found on pages 14-77 of this report.

Individual schedules of combining statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The individual schedules of combining statements can be found on pages 78-137 of this report.

Financial Analysis of the Authority's Financial Position and Results of Operations

The tables below provide a summary of the Authority's financial position and operations for 2005 and 2004, respectively. The Authority first implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, in 2001; therefore, comparative numbers have been included for analysis purposes.

The following table summarizes changes in net assets of the Authority between December 31, 2005 and December 31, 2004:

Condensed Balance Sheet

(all amounts expressed in thousands of dollars)

	2005	2004	Dollar Change	Total Percent Change
Current assets	\$103,197	103,223	\$(26)	(.03%)
Noncurrent restricted assets	4,933,952	4,388,598	545,354	12.43%
Noncurrent unrestricted assets	80,666	68,585	12,081	17.61%
Capital assets	2,063	2,222	(159)	(7.16%)
Total assets	5,119,878	4,562,628	557,250	12.21%
Current liabilities	216,327	159,320	57,007	35.78%
Noncurrent revenue bonds and notes payable	2,481,619	2,132,395	349,224	16.38%
Other noncurrent liabilities	167	141	26	18.44%
Total liabilities	2,698,113	2,291,856	406,257	17.73%
Net assets:				
Invested in capital assets	2,063	2,222	(159)	(7.16%)
Restricted	2,274,289	2,124,820	149,469	7.03%
Unrestricted	145,413	143,730	1,683	1.17%
Total net assets	2,421,765	2,270,772	150,993	6.65%
Total liabilities and net assets	\$5,119,878	4,562,628	\$557,250	12.21%

OHIO WATER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

As noted earlier, net assets may serve as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$2,421,765,165 as of December 31, 2005, \$2,274,288,707 of which is restricted for debt and grant covenants.

By far, the largest portion of the Authority's net assets is reflected in its loan receivables, less any related debt still outstanding used to fund these loans to local government agencies.

During fiscal year 2005, the Authority's net assets increased by \$150,993,519 or 6.65%. The majority of this increase was due to the following:

- A \$326,760,640 increase in loan receivables primarily funded by U.S. EPA capitalization grant contributions and disbursements of bond and note proceeds.
- A \$220,280,536 increase in cash, cash equivalents, and investments caused by the issuance of bonds.
- A \$379,468,496 increase in bonds and notes payable, the proceeds of which will be used to fund future loan receivables.

The following table summarizes the changes in revenues and expenses for the Authority between 2005 and 2004:

Condensed Statement of Revenues, Expenses and Changes in Fund Net Assets

(all amounts expressed in thousands of dollars)

	2005	2004	Dollar Change	Total Percent Change
Operating revenues:				
Loan income	\$129,357	126,727	\$2,630	2.08%
Investment income	47,587	27,677	19,910	71.94%
Administrative fees from projects	3,657	3,138	519	16.54%
Total operating revenues	180,601	157,542	23,059	14.64%
Operating expenses:				
Interest on bonds and notes	104,130	99,797	4,333	4.34%
Amortization of bond and note issuance expense	2,092	2,900	(808)	(27.86%)
Other	16,415	15,522	893	5.75%
Total operating expenses	122,637	118,219	4,418	3.74%
Operating income	57,964	39,323	18,641	47.40%
Nonoperating other revenues	1,657	2,681	(1,024)	(38.19%)
Contribution from U.S. EPA	91,373	112,398	(21,025)	(18.71%)
Change in net assets	\$150,994	154,402	(3,408)	(2.21%)

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Management's Discussion and Analysis

The two primary sources of operating revenue for the Authority are loan income and investment income, while the significant operating expense is interest expense on bonds and notes. For the year ending December 31, 2005, the Authority had an increase in operating income compared to 2004 of \$18,641,399 or 47.40%. This increase was attributed to the following:

- A \$19,909,803 increase in investment income caused by a larger investment balance and an increase in the yields the Authority was able to obtain on securities traded in 2005.
- A \$2,630,855 increase in loan income caused by an increase in the loans receivable in 2005.
- A \$4,331,913 increase in interest on bonds and notes attributed to the increase in bonds and notes issued during 2005.

Debt Administration

As of December 31, 2005, the Authority had bond and note principal outstanding of \$2,623,417,634. The Authority's debt represents bonds and notes secured solely by loan repayments of pledged loans. The table below summarizes the amount of debt outstanding for 2005 and 2004.

Outstanding Debt at December 31, 2005 and December 31, 2004

(net of discounts, premiums and deferred losses)

(all amounts expressed in thousands of dollars)

	2005	2004
Revenue Bonds	\$ 2,608,613	2,204,964
Revenue Notes	14,805	38,985
Total	<u>\$ 2,623,418</u>	<u>2,243,949</u>

During 2005, the Authority issued the following bonds and notes for the purpose of providing loan funding to local governments under its various loan programs:

- Water Pollution Control Loan Fund Revenue Bonds—Water Quality Series 2005B
- Drinking Water Assistance Fund Revenue Bonds—Leverage Series 2005B

During 2005, the Authority also refinanced some of its existing debt to take advantage of favorable interest rates, as follows:

- Water Development Revenue Bonds—Community Assistance Refunding Series 2005 were issued to partially refund previously outstanding Water Development Revenue Bonds—Community Assistance Series 1997. This transaction enabled the Authority to save \$2,641,823 in future debt service payments.
- Water Development Revenue Bonds—Fresh Water Refunding Series 2005 were issued to partially refund previously outstanding Water Development Revenue Bonds—Fresh Water Improvement Series 1998, Series 2001A, and Series 2002. This transaction enabled the Authority to save \$9,429,947 in future debt service payments.
- Water Pollution Control Loan Fund Refunding Revenue Bonds—State Match Series 2005 were issued to partially refund previously outstanding Water Pollution Control Loan Fund Revenue Bonds—State Match Series 1995 and State Match Series 2000. This transaction enabled the Authority to save \$1,287,746 in future debt service payments.

OHIO WATER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

- Water Pollution Control Loan Fund Refunding Revenue Bonds—Water Quality Series 2005 were issued to partially refund previously outstanding Water Pollution Control Loan Fund Revenue Bonds—Water Quality Series 1997 and Series 2002. This transaction enabled the Authority to save \$18,266,283 in future debt service payments.
- Drinking Water Assistance Fund Refunding Revenue Bonds—Leverage Series 2005 were issued to partially refund previously outstanding Drinking Water Assistance Fund Revenue Bonds—Leverage Series 2002. This transaction enabled the Authority to save \$2,734,323 in future debt service payments.

The Authority continues to maintain strong bond ratings from Moody's, Standard & Poor's, and Fitch. The table below summarizes the bond ratings from Moody's and Standard and Poor's for the 2005 bond issuances of the Authority.

2005 Bond Ratings			
<u>Bond Series</u>	<u>Moody's</u>	<u>Standard & Poor's</u>	<u>Fitch</u>
Community Assistance	Aa3	—	AA
Fresh Water	Aa1	AAA	—
WPCLF - State Match	Aaa	AAA	—
WPCLF - Water Quality	Aaa	AAA	—
DWAF Leverage	Aaa	AAA	—

Additional information on the Authority's long-term debt can be found in the Notes to Financial Statements, pages 29-74 of this report.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Operating Officer, Ohio Water Development Authority, 480 S. High Street, Columbus, Ohio 43215, or call (614) 466-5822, or visit the Authority's website at www.owda.org.

OHIO WATER DEVELOPMENT AUTHORITY

Combining Balance Sheet

December 31, 2005

	Trusteed Funds				
	Operating Fund	Working Capital Fund	Other Projects Fund	Rural Utility Services Fund (Note 4)	Community Assistance Fund (Notes 5,6, &7)
Assets					
Current assets:					
Cash and cash equivalents -- Note 2	\$ 124,680	-	25,240,079	-	-
Investments -- Note 2	2,795,098	-	73,100,402	-	-
Receivables:					
Loan and Fee receivables	699,403	-	1,217,807	-	-
Other	19,607	-	-	-	-
Total current assets	<u>3,638,788</u>	<u>-</u>	<u>99,558,288</u>	<u>-</u>	<u>-</u>
Noncurrent assets:					
Restricted grant, bond, and note covenant assets:					
Cash and cash equivalents -- Note 2	-	-	-	15,493,533	15,151,093
Investments -- Note 2	-	-	-	37,664	42,348,982
Loan receivables	-	2,074,734	-	18,464,513	147,493,905
Total restricted assets	<u>-</u>	<u>2,074,734</u>	<u>-</u>	<u>33,995,710</u>	<u>204,993,980</u>
Investments -- Note 2	3,301,783	-	8,410,738	-	-
Loan receivables	-	-	21,843,022	-	-
Other receivables	-	-	-	-	133,960
Deferred debt issuance and other expense	-	-	-	54,323	1,030,758
Due from other funds -- Note 3	20,673	-	-	-	-
Capital assets, at depreciated cost	2,063,232	-	-	-	-
Total noncurrent assets	<u>5,385,688</u>	<u>-</u>	<u>30,253,760</u>	<u>54,323</u>	<u>1,164,718</u>
Total assets	<u><u>\$ 9,024,476</u></u>	<u><u>2,074,734</u></u>	<u><u>129,812,048</u></u>	<u><u>34,050,033</u></u>	<u><u>206,158,698</u></u>
Liabilities					
Current liabilities:					
Accounts payable	125,276	-	117,357	-	-
Total current liabilities	<u>125,276</u>	<u>-</u>	<u>117,357</u>	<u>-</u>	<u>-</u>
Current liabilities payable from restricted assets:					
Due to other funds -- Note 3	-	-	-	-	-
Accounts payable	-	-	-	518,383	907,746
Accrued interest	-	-	-	39,580	346,336
Revenue bonds and notes payable	-	-	-	9,827,000	3,715,000
Total current liabilities payable from restricted assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,384,963</u>	<u>4,969,082</u>
Noncurrent liabilities:					
Compensated absences	167,080	-	-	-	-
Revenue bonds and notes payable (net of discounts, premiums and deferred losses)	-	-	-	4,978,000	90,466,081
Total noncurrent liabilities	<u>167,080</u>	<u>-</u>	<u>-</u>	<u>4,978,000</u>	<u>90,466,081</u>
Total liabilities	<u>292,356</u>	<u>-</u>	<u>117,357</u>	<u>15,362,963</u>	<u>95,435,163</u>
Net Assets					
Invested in capital assets	2,063,232	-	-	-	-
Restricted for debt and grant covenants	-	2,074,734	-	18,687,070	110,723,535
Unrestricted	6,668,888	-	129,694,691	-	-
Total net assets	<u>8,732,120</u>	<u>2,074,734</u>	<u>129,694,691</u>	<u>18,687,070</u>	<u>110,723,535</u>
Total liabilities and net assets	<u><u>\$ 9,024,476</u></u>	<u><u>2,074,734</u></u>	<u><u>129,812,048</u></u>	<u><u>34,050,033</u></u>	<u><u>206,158,698</u></u>

See accompanying notes to financial statements.

Trusteed Funds

Fresh Water Fund (Notes 8, 9,10,11, &12)	Refunding Fund	Safe Water Refunding Fund (Note 13)	Pure Water Refunding Fund (Notes 14, 15 & 16)	Water Pollution Control Loan Fund (Notes (17,18,19,20,21,22 23,24,25,26 & 27)	Drinking Water Assistance Fund (Notes 28,29 30,31,32,33)	Total Combining 2005
-	-	-	-	-	-	25,364,759
-	-	-	-	-	-	75,895,500
-	-	-	-	-	-	1,917,210
-	-	-	-	-	-	19,607
-	-	-	-	-	-	103,197,076
66,547,033	1,247,380	11,413,593	40,834,650	151,563,622	88,146,614	390,397,518
132,837,758	1,662	13,124,804	35,423,291	1,027,807,065	59,920,995	1,311,502,221
533,316,199	13,919,581	61,400,997	212,859,604	1,956,384,912	286,138,248	3,232,052,693
<u>732,700,990</u>	<u>15,168,623</u>	<u>85,939,394</u>	<u>289,117,545</u>	<u>3,135,755,599</u>	<u>434,205,857</u>	<u>4,933,952,432</u>
-	-	-	-	-	-	11,712,521
-	-	-	-	-	-	21,843,022
1,086,940	-	249,305	-	3,221,199	-	4,691,404
3,534,918	-	163,528	1,730,422	33,856,723	1,960,451	42,331,123
-	-	-	9,427	524	56,778	87,402
-	-	-	-	-	-	2,063,232
<u>4,621,858</u>	<u>-</u>	<u>412,833</u>	<u>1,739,849</u>	<u>37,078,446</u>	<u>2,017,229</u>	<u>82,728,704</u>
<u>737,322,848</u>	<u>15,168,623</u>	<u>86,352,227</u>	<u>290,857,394</u>	<u>3,172,834,045</u>	<u>436,223,086</u>	<u>5,119,878,212</u>
-	-	-	-	-	-	242,633
-	-	-	-	-	-	242,633
9,427	-	-	-	524	77,451	87,402
5,171,277	-	-	200,000	47,869,568	9,295,831	63,962,805
1,801,293	-	154,284	674,477	6,049,340	1,170,183	10,235,493
<u>17,365,000</u>	<u>-</u>	<u>17,335,000</u>	<u>37,375,000</u>	<u>49,606,183</u>	<u>6,575,000</u>	<u>141,798,183</u>
24,346,997	-	17,489,284	38,249,477	103,525,615	17,118,465	216,083,883
-	-	-	-	-	-	167,080
421,875,681	-	13,797,759	127,932,147	1,580,503,148	242,066,635	2,481,619,451
<u>421,875,681</u>	<u>-</u>	<u>13,797,759</u>	<u>127,932,147</u>	<u>1,580,503,148</u>	<u>242,066,635</u>	<u>2,481,786,531</u>
446,222,678	-	31,287,043	166,181,624	1,684,028,763	259,185,100	2,698,113,047
-	-	-	-	-	-	2,063,232
291,100,170	15,168,623	55,065,184	115,626,123	1,488,805,282	177,037,986	2,274,288,707
-	-	-	9,049,647	-	-	145,413,226
<u>291,100,170</u>	<u>15,168,623</u>	<u>55,065,184</u>	<u>124,675,770</u>	<u>1,488,805,282</u>	<u>177,037,986</u>	<u>2,421,765,165</u>
<u>737,322,848</u>	<u>15,168,623</u>	<u>86,352,227</u>	<u>290,857,394</u>	<u>3,172,834,045</u>	<u>436,223,086</u>	<u>5,119,878,212</u>

OHIO WATER DEVELOPMENT AUTHORITY

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Year ended December 31, 2005

	Trusteed Funds				
	Operating Fund	Working Capital Fund	Other Projects Fund	Rural Utility Services Fund (Note 4)	Community Assistance Fund (Notes 5,6,& 7)
Operating revenues:					
Loan income	\$ -	154,277	724,239	839,924	2,644,606
Investment income	118,110	-	3,066,819	466,580	1,682,359
Administrative fees from projects	2,995,528	-	-	-	-
Total operating revenues	<u>3,113,638</u>	<u>154,277</u>	<u>3,791,058</u>	<u>1,306,504</u>	<u>4,326,965</u>
Operating expenses:					
Interest on bonds and notes	-	-	-	699,890	4,270,223
Amortization of bond and note issuance expense	-	-	-	88,513	61,176
Other	2,487,430	-	576,918	164,142	60,915
Total operating expenses	<u>2,487,430</u>	<u>-</u>	<u>576,918</u>	<u>952,545</u>	<u>4,392,314</u>
Operating income (loss)	<u>626,208</u>	<u>154,277</u>	<u>3,214,140</u>	<u>353,959</u>	<u>(65,349)</u>
Nonoperating other revenues (expenses)	19,314	-	-	-	-
Income (loss) before contributions and transfers	<u>645,522</u>	<u>154,277</u>	<u>3,214,140</u>	<u>353,959</u>	<u>(65,349)</u>
Contribution from U.S. EPA	-	-	-	-	-
Transfers in (out), net--Note 37	<u>-</u>	<u>(309,642)</u>	<u>(2,597,125)</u>	<u>-</u>	<u>54,529</u>
Change in net assets	645,522	(155,365)	617,015	353,959	(10,820)
Net assets at beginning of year	8,086,598	2,230,099	129,077,676	18,333,111	110,734,355
Net assets at end of year	<u>\$ 8,732,120</u>	<u>2,074,734</u>	<u>129,694,691</u>	<u>18,687,070</u>	<u>110,723,535</u>

See accompanying notes to financial statements.

Trusteed Funds

Fresh Water Fund (Notes 8, 9,10,11 & 12)	Refunding Fund	Safe Water Refunding Fund (Note 13)	Pure Water Refunding Fund (Notes 14, 15 & 16)	Water Pollution Control Loan Fund (Notes 17,18,19,20,21,22 23,24,25,26 & 27)	Drinking Water Assistance Fund (Notes 28,29 30,31,32,33)	Total Combining 2005
26,173,477	914,779	7,703,625	17,657,991	63,621,341	8,922,954	129,357,213
6,987,822	107,562	661,998	2,004,626	28,597,804	3,893,470	47,587,150
-	-	-	-	-	660,982	3,656,510
<u>33,161,299</u>	<u>1,022,341</u>	<u>8,365,623</u>	<u>19,662,617</u>	<u>92,219,145</u>	<u>13,477,406</u>	<u>180,600,873</u>
20,834,354	-	2,780,764	10,557,994	56,952,846	8,033,389	104,129,460
358,169	-	186,348	535,536	781,510	81,233	2,092,485
278,335	11,853	3,112,777	2,866,672	4,245,291	2,610,641	16,414,974
<u>21,470,858</u>	<u>11,853</u>	<u>6,079,889</u>	<u>13,960,202</u>	<u>61,979,647</u>	<u>10,725,263</u>	<u>122,636,919</u>
<u>11,690,441</u>	<u>1,010,488</u>	<u>2,285,734</u>	<u>5,702,415</u>	<u>30,239,498</u>	<u>2,752,143</u>	<u>57,963,954</u>
1,260,742	-	167,692	-	208,822	-	1,656,570
<u>12,951,183</u>	<u>1,010,488</u>	<u>2,453,426</u>	<u>5,702,415</u>	<u>30,448,320</u>	<u>2,752,143</u>	<u>59,620,524</u>
-	-	-	-	77,321,215	14,051,780	91,372,995
<u>(4,966,897)</u>	<u>(5,189,651)</u>	<u>(1,736,003)</u>	<u>14,631,651</u>	<u>42,652</u>	<u>70,486</u>	<u>-</u>
7,984,286	(4,179,163)	717,423	20,334,066	107,812,187	16,874,409	150,993,519
283,115,884	19,347,786	54,347,761	104,341,704	1,380,993,095	160,163,577	2,270,771,646
<u>291,100,170</u>	<u>15,168,623</u>	<u>55,065,184</u>	<u>124,675,770</u>	<u>1,488,805,282</u>	<u>177,037,986</u>	<u>2,421,765,165</u>

OHIO WATER DEVELOPMENT AUTHORITY

Combining Statement of Cash Flows

Year ended December 31, 2005

	Trusteed Funds				
	Operating Fund	Working Capital Fund	Other Projects Fund	Rural Utility Services Fund (Note 4)	Community Assistance Fund (Notes 5,6 & 7)
Operating activities:					
Administrative fees from projects	\$ 2,833,000	-	-	-	-
Operating expenses	(1,080,872)	-	(116,665)	(164,142)	(6,387)
Salaries and fringes expense	(1,394,852)	-	-	-	-
Net cash (used) by operating activities	357,276	-	(116,665)	(164,142)	(6,387)
Investing activities:					
Proceeds from maturity or sale of investments	2,895,109	-	168,142,807	-	9,169,370
Purchase of investments	(4,134,342)	-	(161,583,340)	-	(1,460,092)
Interest received on investments, net of purchased interest	126,535	-	2,800,711	472,043	1,681,096
Interest received on projects	-	-	665,439	-	2,414,703
Principal collected on projects	-	-	2,649,907	25,323,829	5,903,807
Payment for construction of projects	-	-	(7,396,664)	(9,469,775)	(18,036,983)
Net cash provided (used) by investing activities	(1,112,698)	-	5,278,860	16,326,097	(328,099)
Noncapital financing activities:					
Interest paid on bonds and notes, net of purchased interest	-	-	-	(716,124)	(4,171,106)
Proceeds of bonds and notes	-	-	-	-	39,359,465
Bond and note issuance expense	-	-	-	-	(408,805)
Redemption of bonds and notes	-	-	-	(24,180,000)	(42,239,290)
Contribution from U.S. EPA	-	-	-	-	-
Other	695,463	-	1,260,742	-	-
Transfers (to) from other funds	-	-	(3,857,872)	-	54,528
Net cash provided (used) by noncapital financing activities	695,463	-	(2,597,130)	(24,896,124)	(7,405,208)
Net increase (decrease) in cash and cash equivalents	(59,959)	-	2,565,065	(8,734,169)	(7,739,694)
Cash and cash equivalents at beginning of year	184,639	-	22,675,014	24,227,702	22,890,787
Cash and cash equivalents at end of year -- Note 2	\$ 124,680	-	25,240,079	15,493,533	15,151,093
Reconciliation of operating income (loss) to net cash (used) by operating activities:					
Operating income (loss)	626,208	154,277	3,214,140	353,959	(65,349)
Adjustments:					
Investment income	(118,110)	-	(3,066,819)	(466,580)	(1,682,359)
Operating expenses	-	-	460,253	-	54,528
Interest on bonds and notes	-	-	-	699,890	4,270,223
Loan income	-	(154,277)	(724,239)	(839,924)	(2,644,606)
Amortization of bond and note issuance expense	-	-	-	88,513	61,176
Net change in other assets and other liabilities	(150,822)	-	-	-	-
Net cash (used) by operating activities	\$ 357,276	-	(116,665)	(164,142)	(6,387)

See accompanying notes to financial statements.

Trusteed Funds

Fresh Water Fund (Notes 8, 9,10,11 & 12)	Refunding Fund	Safe Water Refunding Fund (Note 13)	Pure Water Refunding Fund (Notes 14, 15 & 16)	Water Pollution Control Loan Fund (Notes 17,18,19,20,21,22 23,24,25,26 & 27)	Drinking Water Assistance Fund (Notes 28,29 30,31,32,33)	Total Combining 2005
-	-	-	-	-	504,647	3,337,647
(116,167)	(3,754)	(9,501)	(320,903)	(4,101,078)	(2,598,805)	(8,518,274)
-	-	-	-	-	-	(1,394,852)
(116,167)	(3,754)	(9,501)	(320,903)	(4,101,078)	(2,094,158)	(6,575,479)
932,061,442	-	-	270,826,083	10,194,094,128	5,413,827	11,582,602,766
(875,272,152)	-	(13,099,512)	(254,376,267)	(10,476,846,216)	(59,705,384)	(11,846,477,305)
7,102,058	107,803	661,820	2,532,052	22,612,289	3,573,153	41,669,560
23,148,501	1,136,821	5,236,683	16,062,458	57,102,324	6,581,427	112,348,356
28,238,532	3,795,002	16,198,052	26,901,584	99,508,529	8,803,268	217,322,510
(77,474,056)	-	-	(491,073)	(336,624,818)	(66,366,410)	(515,859,779)
37,804,325	5,039,626	8,997,043	61,454,837	(440,153,764)	(101,700,119)	(408,393,892)
(20,159,198)	-	(4,807,974)	(9,778,566)	(57,315,627)	(7,991,188)	(104,939,783)
119,522,341	-	-	-	738,277,639	104,661,617	1,001,821,062
(892,447)	-	-	-	(5,313,599)	(759,964)	(7,374,815)
(135,884,330)	-	(15,548,076)	(39,155,000)	(313,961,385)	(45,487,700)	(616,455,781)
-	-	-	-	77,321,215	14,157,336	91,478,551
-	-	-	(322,600)	(480,142)	(249,915)	903,548
(3,706,151)	(5,499,285)	(1,736,002)	14,631,650	42,650	70,482	-
(41,119,785)	(5,499,285)	(22,092,052)	(34,624,516)	438,570,751	64,400,668	365,432,782
(3,431,627)	(463,413)	(13,104,510)	26,509,418	(5,684,091)	(39,393,609)	(49,536,589)
69,978,660	1,710,793	24,518,103	14,325,232	157,247,713	127,540,223	465,298,866
66,547,033	1,247,380	11,413,593	40,834,650	151,563,622	88,146,614	415,762,277
11,690,441	1,010,488	2,285,734	5,702,415	30,239,498	2,752,143	57,963,954
(6,987,822)	(107,562)	(661,998)	(2,004,626)	(28,597,804)	(3,893,470)	(47,587,150)
162,168	8,099	3,103,276	2,545,769	144,213	11,836	6,490,142
20,834,354	-	2,780,764	10,557,994	56,952,846	8,033,389	104,129,460
(26,173,477)	(914,779)	(7,703,625)	(17,657,991)	(63,621,341)	(8,922,954)	(129,357,213)
358,169	-	186,348	535,536	781,510	81,233	2,092,485
-	-	-	-	-	(156,335)	(307,157)
(116,167)	(3,754)	(9,501)	(320,903)	(4,101,078)	(2,094,158)	(6,575,479)

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

December 31, 2005

(1) AUTHORIZING LEGISLATION, REPORTING ENTITY, PROGRAM DESCRIPTIONS, FUND ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Authorizing Legislation

The Ohio Water Development Authority (Authority) is a body corporate and politic in the State of Ohio created by an Act of the General Assembly of the State of Ohio effective March 7, 1968. It is authorized and empowered to acquire, construct, maintain, repair, and operate water development projects and solid waste projects, to issue water development and solid waste revenue bonds and notes, and to collect rentals and other charges to pay such bonds and notes and the interest thereon. The Authority was given jurisdiction over financing solid waste control by an Act of the General Assembly of the State of Ohio during 1970. Under provisions of the Act, such revenue bonds and notes shall not be deemed to constitute a debt or a pledge of faith and credit of the State nor any political subdivision thereof.

Reporting Entity

The accompanying financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, functions and component units for which the Authority (the reporting entity) is financially accountable. Financial accountability is defined by Statement No. 14 as the level of accountability that exists if the reporting entity appoints a voting majority of the component unit's board, and is either (1) able to impose its will on that component unit, or (2) there is a potential for the component unit to provide specific financial benefits to, or to impose specific financial burdens on, the reporting entity. Based on this definition, the Authority does not have any component units. However, the Authority is a discretely presented component unit of the State of Ohio.

Programs

The Authority has established the following programs:

Local Communities

The Authority has established financing programs to provide loans to local communities in the State of Ohio for the construction of sewage and related water treatment facilities. These programs are accounted for in various funds, which are described in the following paragraphs. These loans provide for the financing of project construction costs. The federal government's share of costs (federal grants) is secured and assigned by the local community to the Authority. The local community agrees to pay to the Authority its share of project costs plus any costs ineligible for federal reimbursement over a period of years not to exceed 40 years. Revenue from the underlying project is pledged towards repayment of the loan.

The Authority's initial funding of the program came from a \$100,000,000 appropriation, all of which has been designated for use, from the State of Ohio. Subsequent funding of this program resulted from issuance by the Authority of bonds and notes.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

Industrial

The Authority has established financing programs to assist private industry and certain municipalities participating in a manner similar to private industry, all located in the State of Ohio, in controlling water pollution and solid waste by constructing appropriate facilities. These programs are accounted for in various funds, which are described in Note 34. The Authority issues revenue bonds and notes to finance these programs. The Authority and the industrial companies and municipalities enter into agreements whereby the industrial companies and municipalities are required to make payments, as they become due, sufficient to pay the interest and principal on the bonds and notes issued to finance the projects.

These bonds and notes are principally secured by either revenues from the services, lease purchase agreements, mortgages, letters of credit or a combination thereof and are not secured by assets of the Authority.

Basis of Presentation—Fund Accounting

The accounts of the Authority are organized on the basis of funds, each of which is considered to be an independent fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues and expenses; and are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with laws, regulations or other restrictions. The following is a description of the funds adopted by the Authority.

(a) Operating Fund

The Operating Fund was established to account for the administrative activities and transactions of the Authority, which are required to carry out the provisions of the aforementioned authorizing legislation.

Revenues for Authority operations are principally provided by an administrative fee charged as a percentage of the total cost of each project which the Authority assists by providing financing. Fee income is recognized at the time that the financing agreements are finalized since substantially all of the costs associated with the agreements have been incurred by that time. Operating expenses, which are primarily salaries, employee fringe benefits and legal and professional fees, include administrative expenses of the Authority and other expenses incurred in connection with the financing of projects.

(b) Working Capital Fund

The Working Capital Fund was established to account for loans made to eligible municipalities, counties and other public bodies for the purpose of financing construction of sewage treatment and related facilities required by orders of the Ohio Environmental Protection Agency (Ohio EPA). The resources of this fund came from the aforementioned \$100,000,000 appropriation from the State of Ohio.

Construction costs may be reimbursed by federal grants in amounts up to 55% of the total eligible costs. The balance of the construction costs is repaid by Local Government Agencies (LGAs) under the terms of installment contracts (loan agreements) over periods of 28.5 to 40 years with interest at 5.25% to 6.50%.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

All payments received from LGAs for project costs, interest, and maturities of investments are deposited in the accounts of the Refunding Fund.

(c) Other Projects Fund – Unallocated Reserve

In March 1992, the Unallocated Reserve Account was established by a resolution of the Authority and is administered by a Trustee. Initial funding for the Unallocated Reserve Account was provided by an \$8,300,000 transfer from the Pure Water Refunding Fund. Additional funding has been provided by monetary transfers from the Pure Water Refunding Fund and the Fresh Water Fund.

This account was established for potential collectibility or cash flow problems that may arise in the future on any Authority project.

(d) Other Projects Fund – Interest Rate Management

The Interest Rate Management Account was established during 2004 by a resolution of the Authority and is administered by a Trustee. Initial funding for the Interest Rate Management Account was provided by the proceeds received on an interest rate swap agreement as described in Note 10.

The purpose of the account is to hedge the Authority's exposure to variable rate interest.

(e) Other Projects Fund – Endowment Grant

The Endowment Grant Account was established during 1990 by a resolution of the Authority and is administered by a Trustee. Funding for the Endowment Grant Account was provided by a \$6,000,000 transfer from the Pure Water Refunding Fund.

The purpose of the account is to provide grants to local governments in Ohio to develop innovative projects in the areas of drinking water, wastewater and solid waste management. Each grant will fund 50% of the total project cost; funding for the remaining 50% is to be provided by a cash match from the local government.

(f) Other Projects Fund – Solid Waste

The Solid Waste Account was established during 1991 by a resolution of the Authority and is administered by a Trustee. Funding for the Solid Waste Account was provided by a \$15,000,000 transfer from the Pure Water Refunding Fund. Additional funding has been provided through monetary transfers from the Pure Water Refunding Fund.

The purpose of the account is to provide financing to local governments in Ohio for the construction of solid waste facilities including recycling projects, composting, waste-to-energy projects and landfills. The balance of the construction costs are to be repaid by the solid waste facilities under terms of installment contracts over 12 to 20 years with interest at 5.60% to 5.70%.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

(g) *Other Projects Fund – Local Economic Development*

The Local Economic Development Account was established during 1995 by a resolution of the Authority and is administered by a Trustee. Funding for the Local Economic Development Account was provided by a \$4,196,200 transfer from the Safe Water Refunding Fund and a \$5,803,800 transfer from the Pure Water Refunding Fund. Additional funding has been provided by monetary transfers from the Fresh Water Fund.

The purpose of the account is to provide financing to local governments in Ohio to construct projects which will provide economic development benefits. The interest rate for each loan is negotiated by the local government and the Ohio Department of Development.

The account also provides financing for the clean-up of contaminated brownfield sites under the state's voluntary action program. The loans are to be repaid under terms of installment contracts over periods of 5 to 25 years with interest at 1.00 % to 6.62%.

(h) *Other Projects Fund – Village Capital Improvements*

The Village Capital Improvements Account was established during 1995 by the Budget Reconciliation Bill which gave the Authority the responsibility to principally administer this program after pre-approval by the Ohio EPA. Initial funding was provided by a \$1,961,037 contribution from the Ohio EPA, consisting of loans receivable of \$1,595,433 and cash of \$365,604. Additional funding has been provided by monetary transfers from the Pure Water Refunding Fund.

The purpose of the account is to provide interest-free planning and design loans to qualifying villages in Ohio for water and wastewater facilities. These loans are to be repaid at a term not to exceed 10 years.

(i) *Other Projects Fund – Emergency Relief*

The Emergency Relief Account was established during 1997 by a resolution of the Authority and is administered by a Trustee. Initial funding was provided by a \$5,000,000 transfer from the Fresh Water Fund. Additional funding has been provided by monetary transfers from the Fresh Water Fund.

The purpose of the account is to provide financial assistance to Ohio communities that have sustained damage to their water or wastewater utilities as the result of a natural disaster. To be eligible, communities must have an outstanding loan from the Authority and be in a federal or state designated disaster area. The account can provide a community with up to two semi-annual loan payments to the Authority in an amount equivalent to the damage sustained by the water or wastewater systems during the disaster.

As of December 31, 2005, the Authority has approved \$4,968,697 in assistance to thirty-eight communities for damage caused by flooding in Ohio.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

(j) Other Projects Fund – Dam Safety

The Dam Safety Account was established during 1999 by a resolution of the Authority and is administered by a Trustee. Initial funding was provided by a \$10,000,000 transfer from the Solid Waste Account.

The purpose of the account is to help eligible Ohio dam owners receive below market interest rate loans to finance dam repairs and improvements that have been so ordered by the Ohio Department of Natural Resources. These loans are available through the Dam Safety Linked Deposit Program. In the program, Dam Safety funds are invested in local participating banks at below-market rates. The banks, in return, issue low interest rate loans to qualified participants. The amount invested in this program as of December 31, 2005 was \$4,272,000.

(k) Other Projects Fund – Lake Erie Soil Erosion

The Lake Erie Soil Erosion Account was established during 2000 by a resolution of the Authority and is administered by a Trustee. Initial funding was provided by a \$10,000,000 transfer from the Fresh Water Fund.

The purpose of the account is to provide financing to the eight counties with Lake Erie shorelines containing coastal erosion areas. Any county receiving financing from the program will then provide financial assistance to property owners for the construction of erosion control structures in areas defined by statute as coastal erosion areas.

The loans to the counties are to be repaid under terms of installment contracts. As of December 31, 2005, two loans have been awarded from this account totaling \$651,575 over 15 years with interest at 5.34% to 5.65%.

(l) Other Projects Fund – Security Assistance

The Security Assistance Account was established during 2001 by a resolution of the Authority and is administered by a Trustee. Initial funding was provided by a \$5,000,000 transfer from the Fresh Water Fund.

The purpose of the account is to provide financing to local governments in Ohio to protect the communities' water and wastewater systems. Eligible items under the program include lighting, fencing, cameras, motion detectors, gating and security systems and terrorism preparedness plans.

The loans to the LGAs are to be repaid under terms of installment contracts with interest at 2.00%. As of December 31, 2005, one loan has been awarded from this account in the amount of \$200,000 over 30 years.

(m) Other Projects Fund – Interest Rate Subsidy

The Interest Rate Subsidy Account was established during 2003 by a resolution of the Authority and is administered by a Trustee. Initial funding was provided by transfers from the Rural Utility Services and Fresh Water Funds of \$3,415,574 and \$19,790,902, respectively.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

The purpose of the account is to provide a subsidy to local governments in Ohio that obtained financing under the Authority's Fresh Water, Clean Water, Safe Water Refunding and Pure Water Refunding programs whose loan interest rates exceed 7.00%. The subsidy provided by this account reduces the effective interest rate on these loans to 7.00% beginning with the loan repayment due on January 1, 2004.

(n) Rural Utility Services Fund

The Rural Utility Services Fund was established during 1996 by a resolution of the Authority and is administered by a Trustee. Initial funding for the fund was provided by a \$2,800,150 transfer from the Pure Water Refunding Fund. Additional funding was provided by the proceeds of the Adjustable Rate Water Development Revenue Notes—RUS Loan Advance Series 1996-A, RD Loan Advance Series 1998-A, Series 1999-A, Series 2000-A, Series 2001-A and Series 2002-A, the Adjustable Rate Water Development Refunding and Improvement Revenue Notes—RD Loan Advance Series 2003, the Adjustable Rate Water Development Revenue Notes—RUS Loan Advance Series 2004-A, and monetary transfers from the Fresh Water Fund.

The purpose of these funds is to provide interim loans to local governments in Ohio to finance water development projects pending their receipt of loan or grant money from the United States of America, acting through Rural Utility Services. The loans accrue interest at rates of 1.90% to 3.84%.

(o) Community Assistance Fund

The Community Assistance Fund (formerly known as the Hardship Fund) was established during 1983 by a resolution of the Authority and is administered by a Trustee. The purpose of the fund is to provide a financing program for local governments in Ohio that are unable to meet debt service requirements at normal market interest rates without undue hardship to users.

The balance of the construction costs is paid by the LGA under the terms of installment contracts over periods of 19.5 to 30 years with interest at 1.00% to 3.11%. LGA payments of construction costs may be used for providing additional funding for qualifying projects.

Initial funding for the Community Assistance Fund was provided by a \$15,000,000 transfer from the Pure Water Refunding Fund. Additional funding has been provided by monetary transfers from the Fresh Water Fund, Refunding Fund, Safe Water Refunding Fund, Pure Water Refunding Fund and the issuance of the Water Development Revenue Bonds—Community Assistance Series 1997, and Series 2003. The Water Development Revenue Refunding Bonds—Community Assistance Series 2003 Bonds were issued for the purpose of refunding portions of outstanding Community Assistance Series 1997 Bonds. All loan repayments for this fund are pledged on a parity basis against all debt outstanding within this fund.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

(p) *Fresh Water Fund*

The Fresh Water Fund, which consists of various accounts, was established in 1992 by a resolution providing for the issuance of the Water Development Revenue Refunding Bonds—Pure Water Refunding and Improvement Series. Initial funding was provided by a portion of the proceeds from these bonds and a transfer from the Pure Water Refunding Fund. The Water Development Revenue Bonds—Fresh Water Series 1995, Fresh Water Series 1998, Fresh Water Series 2001A, Fresh Water Series 2002, and Fresh Water Series 2004 were later issued to provide additional funds necessary for making loans to LGAs as part of the Authority's Fresh Water Program. The Water Development Refunding Revenue — Fresh Water Series 2001B and Fresh Water Series 2005 Bonds were issued for the purpose of refunding portions of Fresh Water Series 1995, Fresh Water Series 1998, Fresh Water Series 2001A, and Fresh Water Series 2002 Bonds. All loan repayments for this fund are pledged on a parity basis against all debt outstanding within this fund.

The purpose of these funds is to provide moneys necessary to finance the LGA portion of costs for planning, designing, acquiring or constructing wastewater treatment, sewage collection, and water supply and distribution facilities in Ohio, and to finance other projects approved by the Authority.

The balance of construction costs is repaid by LGAs under terms of installment contracts over periods of 5 to 30 years with interest rates of 3.75% to 7.38%.

(q) *Refunding Fund*

The Refunding Fund consists of various accounts which are administered by a Trustee. Initial funding for the fund was provided by the Water Development Revenue Bonds—Pollution Abatement Series and Clean Water Series. In 1979, the Water Development Revenue Refunding Bonds—Refunding and Improvement Series were issued to advance refund the outstanding Pollution Abatement and Clean Water Bonds, and to provide initial funding for the Safe Water Refunding Fund. The Water Development Revenue Refunding Bonds—1985 Refunding and Improvement Series and 1992 Clean Water Series were later issued, both for the purpose of advance refunding the presently outstanding Refunding Bonds. All loan repayments for this fund are pledged on a parity basis against all debt outstanding within this fund.

The Refunding Fund was established to provide additional funding necessary for the construction of LGA projects in addition to those financed by the State appropriation, referred to previously. Similar to the Working Capital Fund, certain project costs financed were reimbursed by federal grants in amounts up to 75% of the total eligible construction costs. The balance of the construction costs is paid by the LGA under terms of installment contracts over periods of 25 to 40 years with interest rates of 5.25% to 11.35%. LGA payments of project costs are restricted for the purposes of providing additional moneys for projects or for debt service.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

(r) *Safe Water Refunding Fund*

The Safe Water Refunding Fund consists of various accounts which were established by the Water Development Revenue Refunding Bonds—Safe Water Refunding and Improvement Series resolutions and are administered by a Trustee. The initial series of bonds were issued from 1982 through 1984, a portion of which was advance refunded in 1985. The Water Development Revenue Refunding Bonds—Safe Water Refunding 1987 Series A & B and the 1992 Safe Water Series were established by resolutions of the Authority and advance refunded the 1985 Safe Water Refunding and Improvement Series. Additionally, in 1997, the Water Development Revenue Refunding Bonds—1997 Safe Water Series were issued for the purpose of refunding presently outstanding Safe Water Refunding Bonds. All loan repayments for this fund are pledged on a parity basis against all debt outstanding within this fund.

Similar to the Refunding Fund and the Working Capital Fund, certain project costs were reimbursed by federal grants in amounts up to 75% of the total eligible costs. The balance of the costs is paid by the LGAs under terms of installment contracts over periods of 19 to 25 years with interest rates of 7.11% to 12.00%. LGA payments of project costs are restricted for the purposes of providing additional moneys for projects or for debt service.

(s) *Pure Water Refunding Fund*

The Pure Water Refunding Fund consists of various accounts which were established by a resolution providing for the issuance of the Water Development Revenue Refunding Bonds—Pure Water Refunding and Improvement 1992 Series. The Water Development Revenue Refunding Bonds – Pure Water Series 2002A and Pure Water Series 2002B were issued for the purpose of refunding portions of outstanding Pure Water Series 1992 Bonds. All loan repayments for this fund are pledged on a parity basis against all debt outstanding within this fund.

Similar to the Refunding Fund, the Safe Water Refunding Fund and the Working Capital Fund, certain financed project costs were reimbursed by federal grants in amounts up to 75% of the total eligible costs. The balance of the costs is repaid by the LGAs under terms of installment contracts over periods of 5 to 30 years with interest rates of 0.00% to 9.48%. LGA repayments of project costs are restricted for the purposes of providing additional moneys for projects or for debt service.

(t) *Water Pollution Control Loan Fund*

The Water Pollution Control Loan Fund consists of various accounts which were established by an Act of the General Assembly of the State of Ohio in 1989 and are administered by a Trustee. The purpose of this fund is to provide financial assistance for the construction of publicly owned wastewater treatment works in Ohio.

Construction costs are paid by LGAs under terms of installment contracts over periods of 5 to 20 years with interest rates of 0.00% to 5.20%. LGA repayments of project costs are restricted for the purpose of providing additional moneys for projects or for debt service.

The Water Pollution Control Loan Fund (WPCLF) was initially funded in 1989 by a U.S. Environmental Protection Agency capitalization grant, which required a 20% matching contribution from the Ohio EPA. Grant funding has been awarded as detailed in the following table:

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

Year Awarded	Capitalization Grant	State Match
1989	\$ 53,099,244	10,619,849
1990	64,124,705	12,824,941
1992	120,534,782	24,106,956
1992	109,382,724	21,876,545
1993	108,203,832	21,640,766
1994	75,855,333	15,171,067
1995	72,717,472	14,543,495
1996	118,581,512	23,716,302
1997	35,085,699	7,017,140
1998	86,175,844	17,235,168
1999	75,812,616	15,162,523
2000	78,490,933	15,701,752
2002	151,596,245	30,319,250
2003	74,859,808	14,971,962
2004	75,649,985	15,129,997
2005	60,663,240	12,132,648
Total	\$ 1,360,833,974	272,170,361

The WPCLF received additional funding from the proceeds of Water Pollution Control Loan Fund Revenue Bonds and Notes—State Match Series 1991, State Match Series 1993, State Match Series 1995, State Match Series 2000, Water Quality Series 1995, Water Quality Series 1997, Water Quality Series 2001, Water Quality Series 2002, Water Quality Series 2004, and Water Quality Series 2005B (WPCLF Bonds and Notes). The Water Pollution Control Loan Fund Revenue Refunding Bonds—State Match Series 2001, State Match Series 2005, Water Quality Series 2003, Water Quality Series 2004, and Water Quality Series 2005 (WPCLF Bonds) were issued to refund portions of the State Match and Water Quality Series Bonds. The WPCLF Bonds and Notes were established by resolutions providing for the issuance of these bonds and notes and are administered by Trustees.

The WPCLF Bonds and Notes are special obligations of the Authority, issued to fund the State Match account for use in making loans to LGAs provided by the Ohio EPA and the Authority. All interest earned on moneys and/or investments in the WPCLF remain within the fund. All loan repayments for this fund are pledged on a parity basis against all debt outstanding within this fund.

In 1994, the Authority established the Linked Deposit Program. This program is aimed at helping Ohio farmers receive low-interest loans to reduce non-point source pollution from agricultural run-off. In the program, WPCLF funds are invested in local participating banks at below-market rates. The banks, in return, issue low-interest rate loans to qualified participants. The amount invested in this program as of December 31, 2005 was \$11,364,000.

(u) *Drinking Water Assistance Fund*

The Drinking Water Assistance Fund was established by legislation enacted by the General Assembly of the State of Ohio in 1997 and is administered by a Trustee. The purpose of this fund is to assist public water systems to finance the costs of infrastructure needed to achieve or maintain compliance with the Safe Drinking Water Act requirements and to protect public health.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

Construction costs are paid under terms of installment contracts over periods of 5 to 20 years with interest rates of 2.00% to 4.66%. Repayments of project costs are restricted for the purpose of providing additional moneys for projects.

The Drinking Water Assistance Fund (DWAF) was initially funded in 1998 by a U.S. Environmental Protection Agency capitalization grant, with a required 20% state match contribution from the Ohio EPA. Grant funding has been awarded as detailed in the following table:

Year Awarded	Capitalization Grant	State Match
1998	\$ 43,073,000	8,614,600
1999	22,806,200	4,561,240
2000	48,745,300	9,749,060
2001	24,944,900	4,988,980
2002	24,547,600	4,909,520
2003	24,400,100	4,880,020
2004	25,311,500	5,062,300
2005	25,257,900	5,051,580
Total	<u>\$ 239,086,500</u>	<u>47,817,300</u>

The DWAF received additional funding from the proceeds of the Drinking Water Assistance Fund Revenue Bond Anticipation Notes—State Match Series 2001 and the Drinking Water Assistance Fund Revenue Bonds—State Match Series 2002, State Match Series 2004, Leverage Series 2002, Leverage Series 2004, and Leverage Series 2005B. Drinking Water Assistance Fund Refunding Revenue Bonds—Leverage Series 2005 were issued to refund a portion of the Leverage Series 2002 Series Bonds. The DWAF Bonds and Notes were established by resolutions providing for the issuance of these bonds and notes and are administered by Trustees. All loan repayments for this fund are pledged on a parity basis against all debt outstanding within this fund.

Summary of Significant Accounting Policies

(a) Basis of Accounting

The basis of accounting determines when transactions and economic events are reflected in financial statements. The Authority has prepared the financial statements on the full accrual basis of accounting. Accordingly, revenues are recognized as earned and expenses are recognized as incurred, including interest expense on bonds and notes outstanding.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority follows GASB pronouncements as applicable to proprietary funds and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement. The Authority has elected to not implement any Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued after November 30, 1989.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

(b) *Cash and Cash Equivalents*

Cash and cash equivalents include amounts on deposit with Trustees and petty cash, as defined in GASB Statement No. 9 for the purpose of the statement of cash flows, in addition to money market investments and holdings in the State Treasury Asset Reserve of Ohio (STAROhio) investment pool. STAROhio operates in a manner consistent with Rule 2a7 of the Investment Company Act of 1940, which requires investments in the 2a7-like pool to be reported at amortized cost (which approximates fair value).

For the purpose of the statement of cash flows, the Authority considers cash deposits with a maturity of three months or less when purchased to be cash equivalents. Additionally, the Authority does not consider its loans to be program loans, and as a result, reports its loan cash flows within the investing activities section of the statement of cash flows.

(c) *Investments*

With the exception of participating interest-earning investment contracts and nonnegotiable certificates of deposit, investments are carried at fair value, which includes accrued interest receivable. Accordingly, the Authority reports participating interest-earning investment contracts and nonnegotiable certificates of deposit at amortized cost plus accrued interest receivable.

The Authority enters into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expenditures resulting from this agreement, no amounts are recorded in the financial statements. For further detail and risk management of the interest rate swap agreements within the Fresh Water Fund and Pure Water Refunding Fund, see Notes 10 & 16, respectively.

(d) *Due to and Due from Other Funds*

Interfund receivables and payables, otherwise referred to as due to and due from other funds, arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. All interfund balances at December 31, 2005 resulted from the time lag between the dates that transactions are recorded in the accounting system and the dates that payments between funds are made. The Authority expects that all interfund balances will be repaid within one year.

(e) *Loan Income as Defined by the Contracts*

Loan income consists primarily of interest charged to LGAs, as defined by the contracts with LGAs, on the amounts estimated to be paid under the loan agreements. Interest charged during the construction period is capitalized by the Authority and is reflected as part of LGA receivables.

(f) *Amortization of Premium, Discount and Issuance Expense of Bonds and Notes*

Premium, discount and issuance expense are amortized over the life of the bonds and notes, following the interest method.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

(g) Interfund Transfers/Net Assets

The Authority reports interfund transactions when incurred, as follows:

- Transfers in (out), net: Transfers to a receiving fund from a disbursing fund required to meet routine operating requirements, such as debt service repayments and loan disbursements, in addition to transfers between funds for initial and/or additional funding needs.

Interfund transfers have not been eliminated in the combining column of the financial statements.

Net assets in excess of those amounts required by the various trust agreements may, upon Board authorization, be used for any lawful purpose.

(h) Capital Assets and Facilities

Capital assets of the Authority include an office building with attached garage, two parking lots, office furniture, equipment and an automobile. Capital assets are defined by the Authority as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Depreciation is computed on the building, capital improvements and other capital assets only, using the straight line method with no salvage value. Current year depreciation expense is detailed below as ‘additions’ to accumulated depreciation.

Capital asset activity for the year ended December 31, 2005 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Land (non-depreciable)	\$ 538,676	–	–	538,676
Building (useful life: 20-45 years)	887,524	–	–	887,524
Capital Improvements (useful life: 20 years)	628,314	–	–	628,314
Other (useful life: 3-10 years)	1,375,666	33,504	–	1,409,170
Total capital assets	\$ 3,430,180	33,504	–	3,463,684
Less: accumulated depreciation-Building	(80,740)	(37,494)	–	(118,234)
Less: accumulated depreciation-Cap Impr	(23,562)	(31,852)	–	(55,414)
Less: accumulated depreciation-Other	(1,104,083)	(122,720)	–	(1,226,803)
Capital assets, at depreciated cost	\$ 2,221,795	(158,562)	–	2,063,233

(i) Balance Sheet Classifications

The Authority is required to classify its balance sheet, detailing current and noncurrent assets and liabilities and restricted and unrestricted net assets, as follows:

- Current: Due within one year from December 31, 2005
- Noncurrent: Due after December 31, 2006
- Restricted: Restricted for usage by bond and note covenants and grant restrictions
- Unrestricted: Not restricted for usage

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

Within the Pure Water Refunding Fund, there exist both restricted and unrestricted net assets. The unrestricted net assets may, upon Board authorization, be used by the Authority for any lawful purpose.

(j) Revenue and Expense Classifications

The Authority's policy for revenue and expense classification is as follows:

- Operating revenues consist of loan income, investment income and administrative fees from projects
- Operating expenses consist of interest on bonds and notes, amortization of bond and note issuance expense and other operating expenses
- Nonoperating other revenues (expenses)
- Contribution from U.S. EPA

(k) Risk Management

It is the policy of the Authority to eliminate or transfer risk. The Authority does not self-insure any risk resulting from acts of God, injury to employees or breach of contract.

The Authority carries commercial property insurance on property and equipment in the aggregate sum of approximately \$2,100,000. The Authority carries commercial liability insurance coverage in the amount of approximately \$26,000,000. The Authority also carries premium-based medical and dental coverage for all employees.

During 2005, there were no claims by the Authority that exceed the insurance coverage, nor has there been a reduction in insurance coverage in the past three years.

(2) CASH AND INVESTMENTS

The Authority's carrying amount and bank balance of deposits as of December 31, 2005 was \$22,597,965. Of this amount, \$400,000 was covered by federal depository insurance, and \$22,197,965 was collateralized with securities held by the bank's agent but not in the Authority's name. The Authority's carrying amount of long-term nonnegotiable certificates of deposit as of December 31, 2005 was \$15,658,818. These deposits were collateralized with securities held by the bank's agent but not in the Authority's name.

The Authority's investment policy, which is in compliance with the Ohio Revised Code, authorizes investments in obligations of the U.S. Treasury, U.S. Agencies, obligations of the State of Ohio or any political subdivision, obligations of any State of the United States, repurchase agreements from financial institutions with a Moody's or Standard & Poor's rating of "A", investment agreements from financial institutions rated in the highest short-term categories or one of the top three long-term categories by Moody's and/or Standard & Poor's, money market mutual funds whose portfolio consists of authorized investments, and the State Treasurer's investment pool. All investments must mature within five year of settlement unless the investment is matched to a specific obligation or debt of the Authority. Securities are purchased with the expectation that they may be held to maturity.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

As of December 31, 2005, the Authority had the following investments and maturities:

Fund – Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 – 10	More than 10
Operating:					
U.S. Agencies	\$6,096,881	2,801,325	3,295,556	-	-
Money Market	25	25	-	-	-
	6,096,906	2,801,350	3,295,556	-	-
Other Projects:					
U.S. Agencies	71,757,079	63,314,633	8,442,446	-	-
Commercial Paper	5,385,820	5,385,820	-	-	-
STAROhio	20,011,953	20,011,953	-	-	-
Money Market	4,082,382	4,082,382	-	-	-
	101,237,234	92,794,788	8,442,446	-	-
Rural Utility Services:					
STAROhio	8,106,944	8,106,944	-	-	-
Money Market	7,424,252	7,424,252	-	-	-
	15,531,196	15,531,196	-	-	-
Community Assistance:					
U.S. Agencies	660,667	660,667	-	-	-
Investment Contract	41,646,328	-	37,702,826	-	3,943,502
STAROhio	5,779,443	5,779,443	-	-	-
Money Market	8,501,630	8,501,630	-	-	-
	56,588,068	14,941,740	37,702,826	-	3,943,502
Fresh Water:					
Repurchase Agreements	14,221,923	14,221,923	-	-	-
U.S. Treasuries	4,440,627	142,873	661,854	1,073,882	2,562,018
U.S. Agencies	30,680,534	11,717,733	18,962,801	-	-
Investment Contract	83,283,778	-	77,806,223	-	5,477,555
STAROhio	49,165,961	49,165,961	-	-	-
Money Market	14,729,310	14,729,310	-	-	-
	196,522,133	89,977,800	97,430,878	1,073,882	8,039,573
Refunding:					
Money Market	947,463	947,463	-	-	-
Safe Water Refunding:					
U.S. Agencies	13,108,867	2,342,365	10,766,502	-	-
Money Market	6,637,484	6,637,484	-	-	-
	19,746,351	8,979,849	10,766,502	-	-
Pure Water Refunding:					
Repurchase Agreements	3,155,649	3,155,649	-	-	-
U.S. Treasuries	9,654,557	1,294,148	5,509,884	2,850,525	-
U.S. Treasury Strips	1,465,626	204,530	726,671	534,425	-
U.S. Agencies	21,052,710	-	21,052,710	-	-
STAROhio	10,898,513	10,898,513	-	-	-
Money Market	27,290,033	27,290,033	-	-	-
	73,517,088	42,842,873	27,289,265	3,384,950	-

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

Fund – Investment Type	Fair Value	Investment Maturities (in years) – Continued			
		Less than 1	1 - 5	6 – 10	More than 10
Water Pollution Control Loan:					
Repurchase Agreements	\$143,589,105	143,589,105	-	-	-
U.S. Treasuries	8,784,912	8,570,530	214,382	-	-
U.S. Treasury Strips	2,220,522	104,036	482,207	824,718	809,561
U.S. Agencies	126,388,155	95,393,807	30,994,348	-	-
Investment Contract	735,005,726	-	692,352,961	-	42,652,765
STAROhio	114,501,553	114,501,553	-	-	-
Money Market	28,655,073	28,655,073	-	-	-
	1,159,145,046	390,814,104	724,043,898	824,718	43,462,326
Drinking Water Assistance:					
U.S. Agencies	4,432,514	-	1,789,552	2,642,962	-
Investment Contract	55,094,795	-	50,064,819	-	5,029,976
STAROhio	66,530,610	66,530,610	-	-	-
Money Market	21,226,329	21,226,329	-	-	-
	147,284,248	87,756,939	51,854,371	2,642,962	5,029,976

The Authority's repurchase agreements, U.S. Treasuries and U.S. Agencies are uninsured and unregistered investments for which the securities are held by the Authority's agent but not in the Authority's name. As of December 31, 2005, the Authority's investments in U.S. Treasuries were backed by the full faith and credit of the U.S. Government. The investments in U.S. Agencies were rated AAA by Standard & Poor's and Aaa by Moody's. The Authority's investments in repurchase agreements and investment contracts were unrated. The Authority's investments in STAROhio (a statewide external investment pool created pursuant to Ohio statutes and administered by the Treasurer of the State of Ohio) were rated AAAM by Standard & Poor's. The Authority's money market investments were rated AAAM by Standard & Poor's.

As of December 31, 2005, the Authority had investment balances with the following issuers which are greater than or equal to 5% of the respective fund's investment balance:

Fund	Issuer	Percent of Fund's Investments
Operating	Federal Home Loan Bank	59%
	Federal National Mortgage Association	36%
Other Projects	Federal Home Loan Mortgage Corporation	35%
	Federal National Mortgage Association	20%
	Federal Home Loan Bank	13%
Community Assistance	Citigroup – Investment Contract	59%
	MBIA – Investment Contract	8%
	AIGMFC – Investment Contract	7%
Fresh Water	Transamerica – Investment Contract	37%
	Federal Home Loan Bank	12%
	Bear Stearns – Repurchase Agreements	7%
Safe Water Refunding	Federal Home Loan Bank	55%
	Federal National Mortgage Association	12%

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

Fund – Continued	Issuer	Percent of Fund's Investments
Pure Water Refunding	Federal Home Loan Bank U.S. Treasury Notes	29% 13%
Water Pollution Control Loan	AIGMFC – Investment Contract Citigroup – Investment Contract Federal Home Loan Mortgage Corporation Goldman Sachs – Repurchase Agreements	33% 25% 8% 7%
Drinking Water Assistance	Trinity Plus Funding Investment Contract	34%

The Authority manages its concentration risk by limiting investments to U.S. Treasuries, U.S. Agencies or to issuers with the highest short-term ratings from Moody's or Standard & Poor's or one of the three highest long-term ratings from Moody's or Standard & Poor's.

(3) INTERFUND RECEIVABLES AND PAYABLES

Interfund balances, which are caused by the timing of pending loan repayment allocations, consisted of the following at December 31, 2005:

		Due to				
Fund		Operating	Pure Water Refunding	Water Pollution Control Loan	Drinking Water Assistance	Total
Due from	Fresh Water	–	9,427	–	–	9,427
	Water Pollution Control Loan	–	–	524	–	524
	Drinking Water Assistance	20,673	–	–	56,778	77,451
	Total	\$ 20,673	9,427	524	56,778	\$87,402

(4) WATER DEVELOPMENT REVENUE NOTES—RURAL DEVELOPMENT LOAN ADVANCE SERIES 2004-A

As of December 31, 2005, there was \$14,805,000 of Water Development Revenue Notes—Rural Development Loan Advance Series 2004-A outstanding, which will mature on October 1, 2007. These notes have an adjustable rate that is reset weekly at a rate determined by the remarketing agent, not to exceed 10%. The rate for these notes at December 31, 2005 was 3.57%.

The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2006 \$	223,691	9,827,000
2007	133,408	4,978,000
Total \$	357,099	14,805,000

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

The notes are collateralized exclusively by federal assistance to be received by the Authority from the United States of America, acting through Rural Development based upon assignment from the LGAs. As the Authority receives this federal assistance, it is required to redeem a like amount of notes. Debt service deficiencies, if any, will be provided from an irrevocable letter of credit issued by National City Bank.

The trust agreement provides for four separate accounts to be held by the trustee and designated as follows:

- a) The Loan Advance account is to receive the proceeds of the notes less such sums as are required to be paid to the Debt Service account and is to disburse such moneys for construction in anticipation of receipt of federal assistance moneys.
- b) The Revenue account is to receive the federal assistance moneys.
- c) The Debt Service account is to receive note proceeds representing capitalized interest and transfers from the Revenue account as necessary to pay the note debt service charges.
- d) The Rebate account is established to comply with the provisions of Section 148(f) of the Internal Revenue Code. As of December 31, 2005, there is no accrued rebate liability for these notes.

(5) WATER DEVELOPMENT REVENUE BONDS—COMMUNITY ASSISTANCE SERIES 1997

As of December 31, 2005, there was \$ 4,270,000 of Water Development Revenue Bonds—Community Assistance Series 1997 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	6.00%	2006–2007	\$ 2,070,000	2,200,000	4,270,000
			2,070,000	2,200,000	4,270,000
		Add: unamortized premium	–	60,024	60,024
			\$ 2,070,000	2,260,024	4,330,024

Not included in the above amounts is \$36,695,000 of bonds remaining outstanding, which the Authority defeased in 2005. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the Authority's financial statements.

The debt service requirements to maturity are as follows:

	<u>Year Ending</u>		<u>Interest</u>	<u>Principal</u>
	<u>December 31</u>			
	2006	\$	225,600	2,070,000
	2007		99,450	2,200,000
	Total	\$	325,050	4,270,000

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Notes to Financial Statements

LGA reimbursements of Community Assistance project costs, including interest, are pledged as security for the bonds.

The bond resolution provides for six separate accounts designated as the Community Assistance Fund Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2005, there is no accrued rebate liability for these bonds.

Amounts received from the LGAs as reimbursements of project or construction costs, including capitalized interest, are deposited in the Revenue account. The trustee then allocates or pays out moneys in the Revenue account as follows:

- a) To the trustee for the payment of its fees on the first day of each May and November.
- b) To the Debt Service account on the first day of each May and November, commencing on May 1, 1998, (1) a sum which, when added to any available balance then on deposit in the Debt Service account, will be equal to the interest due on that day on all bonds outstanding; (2) a sum which will be equal to the next ensuing mandatory redemption for term bonds; and (3) a sum which will be equal to the next ensuing principal maturity on all outstanding bonds.
- c) To the Debt Service Reserve account, a semiannual sum as necessary to maintain in the Debt Service Reserve account investments or cash having an aggregate value at least equal to the maximum annual bond service charges required to be paid in that year or any succeeding year.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the first day of November of each year, prior to making allocations or payments of moneys on hand in the Revenue account.

On December 1 of each year, all remaining moneys (after making up any deficiencies) in the Revenue account (excluding amounts received for the next ensuing LGA repayment date) are allocated to the Surplus account.

Any deficiency in the amounts required to be deposited in the Debt Service account or the Debt Service Reserve account is to be made up by moneys available in the Surplus account.

(6) WATER DEVELOPMENT REVENUE BONDS—COMMUNITY ASSISTANCE SERIES 2003

As of December 31, 2005, there was \$ 52,140,000 of Water Development Revenue Bonds—Community Assistance Series 2003 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	2.0% to 5.0%	2006–2017	\$ 1,470,000	15,235,000	16,705,000
Term	4.625% to 5.000%	2014–2030	–	35,435,000	35,435,000
			1,470,000	50,670,000	52,140,000
	Add: unamortized premium		–	1,393,191	1,393,191
			\$ 1,470,000	52,063,191	53,533,191

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2006	\$ 2,270,063	1,470,000
2007	2,238,713	1,680,000
2008	2,202,838	1,715,000
2009	2,157,538	1,755,000
2010	2,103,313	1,815,000
2011–2015	9,461,706	10,170,000
2016–2020	6,832,150	12,345,000
2021–2025	3,770,878	11,805,000
2026–2030	1,250,231	9,385,000
Total	\$ <u>32,287,430</u>	<u>52,140,000</u>

The term bonds are subject to mandatory redemption beginning June 1, 2014. Both the term and serial bonds maturing on or after December 1, 2014 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on December 1, 2013, or on any interest payment thereafter at par plus accrued interest.

LGA reimbursements of Community Assistance project costs, including interest, are pledged as security for the bonds.

The bond resolution provides for six separate accounts designated as the Community Assistance Fund Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2005, there is no accrued rebate liability for these bonds.

Amounts received from the LGAs as reimbursements of project or construction costs, including capitalized interest, are deposited in the Revenue account. The trustee then allocates or pays out moneys in the Revenue account as follows:

- a) To the trustee for the payment of its fees on the first day of each May and November.
- b) To the Debt Service account on the first day of each May and November, commencing on May 1, 2004, (1) a sum which, when added to any available balance then on deposit in the Debt Service account, will be equal to the interest due on that day on all bonds outstanding; (2) a sum which will be equal to the next ensuing mandatory redemption for term bonds; and (3) a sum which will be equal to the next ensuing principal maturity on all outstanding bonds.
- c) To the Debt Service Reserve account, a semiannual sum as necessary to maintain in the Debt Service Reserve account investments or cash having an aggregate value at least equal to the maximum annual bond service charges required to be paid in that year or any succeeding year.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the first day of November of each year, prior to making allocations or payments of moneys on hand in the Revenue account.

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Notes to Financial Statements

On December 1 of each year, all remaining moneys (after making up any deficiencies) in the Revenue account (excluding amounts received for the next ensuing LGA repayment date) are allocated to the Surplus account.

Any deficiency in the amounts required to be deposited in the Debt Service account or the Debt Service Reserve account is to be made up by moneys available in the Surplus account.

(7) WATER DEVELOPMENT REVENUE BONDS—COMMUNITY ASSISTANCE REFUNDING SERIES 2005

As of December 31, 2005, there was \$37,110,000 of Water Development Revenue Refunding Bonds—Community Assistance Series 2005 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	3.00% to 5.25%	2006–2017	\$ 175,000	25,570,000	25,745,000
Term	4.100% to 4.625%	2018–2024	–	11,365,000	11,365,000
			175,000	36,935,000	37,110,000
	Add: unamortized premium		–	1,936,556	1,936,556
	Less: deferred loss		–	(2,728,690)	(2,728,690)
			\$ 175,000	36,142,866	36,317,866

The Community Assistance Series 2005 Bonds were issued to advance refund \$36,695,000 of the Community Assistance Series 1997 Bonds. Although the refunding resulted in a deferred accounting loss for the year ended December 31, 2005 in the amount of \$2,800,498, the Authority in effect reduced its aggregate debt service payments by \$2,641,823 and achieved an economic gain of \$1,877,636.

The debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2006	\$ 1,622,016	175,000
2007	1,616,766	180,000
2008	1,594,041	2,500,000
2009	1,518,366	2,580,000
2010	1,437,129	2,655,000
2011–2015	5,471,038	12,875,000
2016–2020	2,442,037	10,365,000
2021–2024	509,756	5,780,000
Total	\$ 16,211,149	37,110,000

The term bonds are subject to mandatory redemption beginning December 1, 2018. Both the term and serial bonds maturing on or after December 1, 2018 callable for redemption prior to maturity at the option of the Authority, in whole or in part, on June 1, 2015, or on any interest payment thereafter at par plus accrued interest.

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LGA reimbursements of Community Assistance project costs, including interest, are pledged as security for the bonds.

The bond resolution provides for six separate accounts designated as the Community Assistance Fund Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2005, there is no accrued rebate liability for these bonds.

Amounts received from the LGAs as reimbursements of project or construction costs, including capitalized interest, are deposited in the Revenue account. The trustee then allocates or pays out moneys in the Revenue account as follows:

- a) To the trustee for the payment of its fees on the first day of each May and November.
- b) To the Debt Service account on the first day of each May and November, commencing on November 1, 2005, (1) a sum which, when added to any available balance then on deposit in the Debt Service account, will be equal to the interest due on that day on all bonds outstanding; (2) a sum which will be equal to the next ensuing mandatory redemption for term bonds; and (3) a sum which will be equal to the next ensuing principal maturity on all outstanding bonds.
- c) To the Debt Service Reserve account, a semiannual sum as necessary to maintain in the Debt Service Reserve account investments or cash having an aggregate value at least equal to the maximum annual bond service charges required to be paid in that year or any succeeding year.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the first day of November of each year, prior to making allocations or payments of moneys on hand in the Revenue account.

On the first day of June and December of each year, all remaining moneys (after making up any deficiencies) in the Revenue account (excluding amounts received for the next ensuing LGA repayment date) are allocated to the Surplus account.

Any deficiency in the amounts required to be deposited in the Debt Service account or the Debt Service Reserve account is to be made up by moneys available in the Surplus account.

(8) WATER DEVELOPMENT REVENUE BONDS—FRESH WATER SERIES 1998

As of December 31, 2005, there was \$55,550,000 of Water Development Revenue Bonds—Fresh Water Series 1998 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	4.50% to 5.25%	2006–2011	\$ 9,115,000	46,435,000	55,550,000
	Add: unamortized premium		–	705,885	705,885
			\$ 9,115,000	47,140,885	56,255,885

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Notes to Financial Statements

Not included in the above amounts is \$58,930,000 of bonds remaining outstanding, which the Authority defeased in 2005. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the Authority's financial statements.

The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2006	\$ 2,763,731	9,115,000
2007	2,313,938	9,560,000
2008	1,805,606	10,015,000
2009	1,274,306	10,395,000
2010	723,844	10,850,000
2011	147,394	5,615,000
Total	\$ <u>9,028,819</u>	<u>55,550,000</u>

The term bonds are subject to mandatory redemption beginning June 1, 2017. Both the term and serial bonds maturing on or after December 1, 2008 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2008, or on any interest payment thereafter at par plus accrued interest plus a premium of 1%, which diminishes to zero by June 1, 2010.

LGA reimbursements of Fresh Water project costs, including interest, are pledged as security for the bonds.

The bond resolution provides for six separate accounts designated as the 1998 Fresh Water Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2005, there is no accrued rebate liability for these bonds.

Amounts received from the LGAs as reimbursements of project or construction costs, including capitalized interest, are deposited in the Revenue account. The trustee then allocates or pays out moneys in the Revenue account as follows:

- a) To the trustee for the payment of its fees on the first day of each May and November.
- b) To the Debt Service account on the first day of each May and November, commencing on November 1, 1998, (1) a sum which, when added to any available balance then on deposit in the Debt Service account, will be equal to the interest due on that day on all bonds outstanding; (2) a sum which will be equal to the next ensuing mandatory redemption for term bonds; and (3) a sum which will be equal to the next ensuing principal maturity on all outstanding bonds.
- c) To the Debt Service Reserve account, a semiannual sum as necessary to maintain in the Debt Service Reserve account investments or cash having an aggregate value at least equal to 50% of the maximum annual bond service charges required to be paid in that year or any succeeding year.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the first day of November of each year, prior to making allocations or payments of moneys on hand in the Revenue account.

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Notes to Financial Statements

On December 1 of each year, all remaining moneys (after making up any deficiencies) in the Revenue account (excluding amounts received for the next ensuing LGA repayment date) are allocated to the Surplus account.

Any deficiency in the amounts required to be deposited in the Debt Service account or the Debt Service Reserve account is to be made up by moneys available in the Surplus account.

(9) WATER DEVELOPMENT REVENUE BONDS—FRESH WATER REFUNDING & IMPROVEMENT SERIES 2001 A & B

As of December 31, 2005, there was \$ 61,220,000 of Water Development Revenue Bonds—Fresh Water Refunding and Improvement Series 2001 A & B outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	4.0% to 5.50%	2006–2021	\$ 695,000	56,080,000	56,775,000
Term	5.0% to 5.375%	2012–2017	–	4,445,000	4,445,000
			695,000	60,525,000	61,220,000
	Add: unamortized premium		–	4,089,549	4,089,549
	Less: deferred loss		–	(4,109,822)	(4,109,822)
			\$ 695,000	60,504,727	61,199,727

Not included in the above amount is \$43,230,000 of bonds remaining outstanding, which the Authority defeased in 1998 and 2005. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the Authority’s financial statements.

The debt service requirements to maturity are as follows:

Year Ending	Interest	Principal
December 31		
2006	\$ 3,276,925	695,000
2007	3,248,925	720,000
2008	3,219,825	750,000
2009	3,189,525	780,000
2010	3,158,025	810,000
2011–2015	12,748,319	29,895,000
2016–2020	4,241,750	25,765,000
2021	61,438	1,805,000
Total	\$ 33,144,732	61,220,000

The term bonds are subject to mandatory redemption beginning June 1, 2012. The term and serial bonds maturing on or after June 1, 2012 are also callable for redemption prior to maturity at the option of the Authority, in whole or in part, on December 1, 2011, or on any interest payment thereafter at par plus accrued interest.

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LGA reimbursements of Fresh Water project costs, including interest, are pledged as security for the bonds.

The bond resolution provides for six separate accounts designated as the 2001 Fresh Water Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2005, there is no accrued rebate liability for these bonds.

Amounts received from the LGAs as reimbursements of project or construction costs, including capitalized interest, are deposited in the Revenue account. The trustee then allocates or pays out moneys in the Revenue account as follows:

- a) To the trustee for the payment of its fees on the first day of each May and November.
- b) To the Debt Service account on the first day of each May and November, commencing on November 1, 2001, (1) a sum which, when added to any available balance then on deposit in the Debt Service account, will be equal to the interest due on that day on all bonds outstanding; (2) a sum which will be equal to the next ensuing mandatory redemption for term bonds; and (3) a sum which will be equal to the next ensuing principal maturity on all outstanding bonds.
- c) To the Debt Service Reserve account, a semiannual sum as necessary to maintain in the Debt Service Reserve account investments or cash having an aggregate value at least equal to 50% of the maximum annual bond service charges required to be paid in that year or any succeeding year.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the first day of November of each year, prior to making allocations or payments of moneys on hand in the Revenue account.

On December 1 of each year, all remaining moneys (after making up any deficiencies) in the Revenue account (excluding amounts received for the next ensuing LGA repayment date) are allocated to the Surplus account.

Any deficiency in the amounts required to be deposited in the Debt Service account or the Debt Service Reserve account is to be made up by moneys available in the Surplus account.

(10) WATER DEVELOPMENT REVENUE BONDS—FRESH WATER IMPROVEMENT SERIES 2002

As of December 31, 2005, there was \$ 60,390,000 of Water Development Revenue Bonds—Fresh Water Improvement Series 2002 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>		<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	2.50% to 5.25%	2006–2012	\$	3,500,000	22,900,000	26,400,000
Term	4.750% to 5.375%	2013–2027		–	33,990,000	33,990,000
				3,500,000	56,890,000	60,390,000
	Add: unamortized premium			–	1,101,281	1,101,281
			\$	3,500,000	57,991,281	61,491,281

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Not included in the above amounts is \$38,460,000 of bonds remaining outstanding, which the Authority defeased in 2005. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the Authority's financial statements.

The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2006	\$ 2,772,544	3,500,000
2007	2,640,044	3,600,000
2008	2,498,894	3,710,000
2009	2,344,781	3,845,000
2010	2,177,344	4,000,000
2011–2015	8,093,541	20,585,000
2016–2020	4,539,741	2,295,000
2021–2025	3,585,063	13,495,000
2026–2027	248,663	5,360,000
Total	\$ 28,900,615	60,390,000

The term bonds are subject to mandatory redemption beginning June 1, 2013. The term bonds maturing on or after June 1, 2013 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2012, or on any interest payment thereafter at par plus accrued interest.

On September 1, 2004, the Authority entered into a fifteen-year interest rate swap agreement for \$100,000,000 of its Fresh Water Series Bonds. As a result of the agreement, the Authority receives interest payments from the counterparty, Bear Sterns Financial Products, Inc. (BSFP), at a fixed rate of 1.26% for years one through three of the agreement. Starting in year four of the fifteen-year agreement, the Authority makes interest payments to BSFP at the BMA Municipal Swap Index and receives interest payments from BSFP at 3.77%. The Authority received a \$1,324,000 swap cancellation option premium from BSFP when the swap was executed which allows BSFP a one-time option to cancel the swap at year three. The purpose of the swap was to allow the Authority to reduce its borrowing cost by synthetically converting a portion of its Fresh Water debt to variable rates. As of December 31, 2005, the swap had a negative fair value of \$1,646,794, which was calculated using the par-value method. The risks associated with the swap are as follows:

- a) Credit risk: As of December 31, 2005, the Authority was not exposed to credit risk as the swap had a negative fair value. Should the fair value of the swap become positive, the Authority would be exposed to credit risk in the amount of the swap's value. BSFP was rated Aaa by Moody's and AAA by Standard and Poor's as of December 31, 2005.
- b) Basis risk: As of December 31, 2005, the Authority was not exposed to basis risk.

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- c) Termination risk: The swap may be terminated by the Authority or BSFP for standard events such as failure to pay and bankruptcy. Additionally, the swap may be terminated by the Authority if the credit rating for BSFP falls below A3 for Moody's or A- for Standard and Poor's. If at termination the swap had a negative fair value, the Authority would be liable to BSFP for a payment equal to the swap's fair value.

LGA reimbursements of Fresh Water project costs, including interest, are pledged as security for the bonds.

The bond resolution provides for six separate accounts designated as the 2002 Fresh Water Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2005, there is no accrued rebate liability for these bonds.

Amounts received from the LGAs as reimbursements of project or construction costs, including capitalized interest, are deposited in the Revenue account. The trustee then allocates or pays out moneys in the Revenue account as follows:

- a) To the trustee for the payment of its fees on the first day of each May and November.
- b) To the Debt Service account on the first day of each May and November, commencing on November 1, 2002, (1) a sum which, when added to any available balance then on deposit in the Debt Service account, will be equal to the interest due on that day on all bonds outstanding; (2) a sum which will be equal to the next ensuing mandatory redemption for term bonds; and (3) a sum which will be equal to the next ensuing principal maturity on all outstanding bonds.
- c) To the Debt Service Reserve account, a semiannual sum as necessary to maintain in the Debt Service Reserve account investments or cash having an aggregate value at least equal to 50% of the maximum annual bond service charges required to be paid in that year or any succeeding year.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the first day of November of each year, prior to making allocations or payments of moneys on hand in the Revenue account.

On December 1 of each year, all remaining moneys (after making up any deficiencies) in the Revenue account (excluding amounts received for the next ensuing LGA repayment date) are allocated to the Surplus account.

Any deficiency in the amounts required to be deposited in the Debt Service account or the Debt Service Reserve account is to be made up by moneys available in the Surplus account.

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(11) WATER DEVELOPMENT REVENUE BONDS—FRESH WATER IMPROVEMENT SERIES 2004

As of December 31, 2005, there was \$146,870,000 of Water Development Revenue Bonds—Fresh Water Improvement Series 2004 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	2.00% to 5.00%	2006–2014	\$ 4,055,000	40,955,000	45,010,000
Term	5.00% to 5.25%	2015–2034	–	101,860,000	101,860,000
			4,055,000	142,815,000	146,870,000
	Add: unamortized premium		–	1,931,996	1,931,996
			\$ 4,055,000	144,746,996	148,801,996

The debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2006	\$ 7,042,070	4,055,000
2007	6,934,908	4,365,000
2008	6,794,070	4,705,000
2009	6,610,133	4,860,000
2010	6,395,320	5,070,000
2011–2015	28,195,430	27,810,000
2016–2020	20,717,313	31,215,000
2021–2025	12,469,875	31,500,000
2026–2030	5,985,625	21,020,000
2031–2034	1,285,000	12,270,000
Total	\$ 102,429,744	146,870,000

The term bonds are subject to mandatory redemption beginning June 1, 2015. The term bonds maturing on or after December 1, 2014 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2014, or on any interest payment thereafter at par plus accrued interest.

LGA reimbursements of Fresh Water project costs, including interest, are pledged as security for the bonds.

The bond resolution provides for six separate accounts designated as the 2004 Fresh Water Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2005, there is no accrued rebate liability for these bonds.

Amounts received from the LGAs as reimbursements of project or construction costs, including capitalized interest, are deposited in the Revenue account. The trustee then allocates or pays out moneys in the Revenue account as follows:

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- a) To the trustee for the payment of its fees on the first day of each May and November.
- b) To the Debt Service account on the first day of each May and November, commencing on November 1, 2004, (1) a sum which, when added to any available balance then on deposit in the Debt Service account, will be equal to the interest due on that day on all bonds outstanding; (2) a sum which will be equal to the next ensuing mandatory redemption for term bonds; and (3) a sum which will be equal to the next ensuing principal maturity on all outstanding bonds.
- c) To the Debt Service Reserve account, a semiannual sum as necessary to maintain in the Debt Service Reserve account investments or cash having an aggregate value at least equal to 50% of the maximum annual bond service charges required to be paid in that year or any succeeding year.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the first day of November of each year, prior to making allocations or payments of moneys on hand in the Revenue account.

On December 1 of each year, all remaining moneys (after making up any deficiencies) in the Revenue account (excluding amounts received for the next ensuing LGA repayment date) are allocated to the Surplus account.

Any deficiency in the amounts required to be deposited in the Debt Service account or the Debt Service Reserve account is to be made up by moneys available in the Surplus account.

(12) WATER DEVELOPMENT REVENUE BONDS—FRESH WATER REFUNDING SERIES 2005

As of December 31, 2005, there was \$103,310,000 of Water Development Revenue Bonds—Fresh Water Refunding Series 2005 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Long-Term</u>
Serial	5.00% to 5.50%	2011–2025	\$ 103,310,000
		Add: unamortized premium	13,725,273
		Less: deferred loss	<u>(5,543,481)</u>
			<u>\$ 111,491,792</u>

The Fresh Water Series 2005 Bonds were issued to advance refund \$58,930,000 of the Fresh Water Series 1998 Bonds, \$13,160,000 of the Fresh Water Series 2001A Bonds, and 38,460,000 of the Fresh Water Series 2002 Bonds. Although the refunding resulted in a deferred accounting loss for the year ended December 31, 2005 in the amount of \$5,820,655, the Authority in effect reduced its aggregate debt service payments by \$9,429,947 and achieved an economic gain of \$5,648,859.

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The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2006	\$ 5,566,913	–
2007	5,566,913	–
2008	5,566,913	–
2009	5,566,913	–
2010	5,566,913	–
2011–2015	24,811,138	26,870,000
2016–2020	15,066,288	50,715,000
2021–2025	2,292,538	25,725,000
Total	\$ <u>70,004,529</u>	<u>103,310,000</u>

The 2005 Fresh Water Refunding Bonds are not subject to optional or mandatory redemption prior to their stated maturity.

LGA reimbursements of Fresh Water project costs, including interest, are pledged as security for the bonds.

The bond resolution provides for six separate accounts designated as the 2005 Fresh Water Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2005, there is no accrued rebate liability for these bonds.

Amounts received from the LGAs as reimbursements of project or construction costs, including capitalized interest, are deposited in the Revenue account. The trustee then allocates or pays out moneys in the Revenue account as follows:

- a) To the trustee for the payment of its fees on the first day of each May and November.
- b) To the Debt Service account on the first day of each May and November, commencing on May 1, 2005, (1) a sum which, when added to any available balance then on deposit in the Debt Service account, will be equal to the interest due on that day on all bonds outstanding; (2) a sum which will be equal to the next ensuing mandatory redemption for term bonds; and (3) a sum which will be equal to the next ensuing principal maturity on all outstanding bonds.
- c) To the Debt Service Reserve account, a semiannual sum as necessary to maintain in the Debt Service Reserve account investments or cash having an aggregate value at least equal to 50% of the maximum annual bond service charges required to be paid in that year or any succeeding year.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the first day of November of each year, prior to making allocations or payments of moneys on hand in the Revenue account.

On the first day of June and December of each year, all remaining moneys (after making up any deficiencies) in the Revenue account (excluding amounts received for the next ensuing LGA repayment date) are allocated to the Surplus account.

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Any deficiency in the amounts required to be deposited in the Debt Service account or the Debt Service Reserve account is to be made up by moneys available in the Surplus account.

(13) WATER DEVELOPMENT REVENUE REFUNDING BONDS—1997 SAFE WATER SERIES

As of December 31, 2005, there was \$31,930,000 of Water Development Revenue Refunding Bonds—1997 Safe Water Series outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	5.25% to 6.00%	2006-2007	\$ 17,335,000	14,595,000	31,930,000
	Add: unamortized premium		—	364,497	364,497
	Less: deferred loss		—	(1,161,738)	(1,161,738)
			<u>\$ 17,335,000</u>	<u>13,797,759</u>	<u>31,132,759</u>

Not included in the above amounts is \$41,820,000 of 1985 Safe Water Series bonds remaining outstanding, which the Authority defeased in 1987. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the Authority's financial statements.

The debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2006	\$ 1,626,056	17,335,000
2007	659,250	14,595,000
Total	<u>\$ 2,285,306</u>	<u>31,930,000</u>

The 1997 Safe Water Series Bonds are not subject to mandatory or optional redemption prior to maturity.

LGA reimbursements of project costs from Safe Water projects, including interest, in addition to all moneys and investments in the Safe Water Refunding Group, are pledged as security for the bonds.

The bond resolution provides for five separate accounts designated as 1997 Safe Water Refunding Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 1, 2005, there is no accrued rebate liability for these bonds.

A pro rata portion of amounts received from the LGAs as reimbursements of project or construction costs, including capitalized interest, are deposited in the Revenue account. The trustee then allocates or pays out moneys in the Revenue account as follows:

- a) To the trustee for the payment of its fees on the first day of each May and November.

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- b) To the Debt Service account on the first day of each May and November, commencing on June 1, 1997, (1) a sum which, when added to any available balance then on deposit in the Debt service account, will be equal to the interest due on the next ensuing interest payment date for all bonds outstanding, (2) a sum which will be equal to the next ensuing principal maturity, and (3) a sum which will be equal to the next ensuing mandatory sinking fund requirement.
- c) To the Debt Service Reserve account, as much of the balance remaining in the Revenue account after the deposit described in (b) above, as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value of one-half the average annual service charges remaining to be paid on the outstanding 1997 Safe Water Refunding Bonds.
- d) To the Surplus account on the first day of each December, any remaining balance in the Revenue account after making up any existing deficiencies and meeting the current deposit requirements.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the first day of November of each year, prior to making allocations or payments of moneys on hand in the Revenue account.

(14) WATER DEVELOPMENT REVENUE REFUNDING BONDS—PURE WATER REFUNDING AND IMPROVEMENT SERIES

As of December 31, 2005, there was \$25,155,000 of Water Development Revenue Refunding Bonds—Pure Water Refunding and Improvement Series outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	5.75%	2006	\$ 5,585,000	–	5,585,000
Term	5.50% to 6.00%	2006–2013	10,000,000	9,570,000	19,570,000
			15,585,000	9,570,000	25,155,000
	Less: unamortized discount		–	(995,656)	(995,656)
			\$ 15,585,000	8,574,344	24,159,344

Not included in the above amounts is \$50,465,000 of 1989 and 1990 Pure Water Series bonds remaining outstanding, which the Authority defeased in 1992. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the Authority's financial statements.

The debt service requirements to maturity are as follows:

<u>Year Ending</u>	<u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2006	\$	829,513	15,585,000
2007		456,725	2,785,000
2008		373,175	–
2009		373,175	–
2010		373,175	–
2011–2013		707,025	6,785,000
Total	\$	3,112,788	25,155,000

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The 2006 Principal maturities in the above table includes a \$10,000,000 par call that was made in January of 2006

The term bonds are subject to mandatory redemption beginning June 1, 2007. Both the term and serial bonds maturing on or after June 1, 2003 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after December 1, 2002, or on any interest payment thereafter at par plus accrued interest plus a premium of 2%, which diminishes to zero by December 1, 2004.

LGA reimbursements of Pure Water project costs, including interest, are pledged as security for the bonds.

The bond resolution provides for seven separate accounts designated as Pure Water Refunding Construction account, Revenue account, Debt Service account, Debt Service Reserve account, Surplus account, Other Projects account and Rebate account. As of October 14, 2005, there is no accrued rebate liability for these bonds.

Amounts received from the LGAs as reimbursement of project or construction costs, including capitalized interest, are deposited in the Revenue account. The trustee then allocates or pays out moneys in the Revenue account as follows:

- a) To the trustee for the payment of its fees on the first day of each May and November.
- b) To the Debt Service account on the first day of each May and November, commencing May 1, 1993, (1) a sum which, when added to any available balance then on deposit in the Debt Service account, will be equal to the interest due on that day on all bonds outstanding; (2) a sum which will be equal to the next ensuing mandatory redemption for term bonds; and (3) a sum which will be equal to the next ensuing principal maturity on all outstanding bonds.
- c) To the Debt Service Reserve account, a semiannual sum as necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to 50% of the maximum annual bond service charges required to be paid in that year or any succeeding year.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the first day of November of each year, prior to making allocations or payments of moneys on hand in the Revenue account.

On December 1 of each year, all remaining moneys (after making up any deficiencies) in the Revenue accounts (excluding amounts received for the next ensuing LGA repayment date) are allocated to the Surplus account.

Any deficiency in the amounts required to be deposited in the Debt Service account or the Debt Service Reserve account is to be made up by moneys available in the Surplus account.

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(15) WATER DEVELOPMENT REVENUE REFUNDING BONDS—PURE WATER REFUNDING SERIES 2002A

As of December 31, 2005, there was \$40,830,000 of Water Development Revenue Refunding Bonds—Pure Water Refunding Series 2002A outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	3.00% to 5.00%	2006–2008	\$ 13,890,000	26,940,000	40,830,000
	Add: unamortized premium		–	762,886	762,886
	Less: deferred loss		–	(2,251,896)	(2,251,896)
			<u>\$ 13,890,000</u>	<u>25,450,990</u>	<u>39,340,990</u>

The debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2006	\$ 1,469,825	13,890,000
2007	937,675	23,505,000
2008	85,875	3,435,000
Total	<u>\$ 2,493,375</u>	<u>40,830,000</u>

The 2002A Pure Water Series Bonds are not subject to mandatory or optional redemption prior to maturity.

LGA reimbursements of Pure Water project costs, including interest, are pledged as security for the bonds.

The bond resolution provides for five separate accounts designated as Pure Water Refunding 2002A Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 31, 2005, there is no accrued rebate liability for these bonds.

Amounts received from the LGAs as reimbursement of project or construction costs, including capitalized interest, are deposited in the Revenue account. The trustee then allocates or pays out moneys in the Revenue account as follows:

- a) To the trustee for the payment of its fees on the first day of each May and November.
- b) To the Debt Service account on the first day of each May and November, commencing November 1, 2002, (1) a sum which, when added to any available balance then on deposit in the Debt Service account, will be equal to the interest due on that day on all bonds outstanding; (2) a sum which will be equal to the next ensuing mandatory redemption; and (3) a sum which will be equal to the next ensuing principal maturity on all outstanding bonds.
- c) To the Debt Service Reserve account, a semiannual sum as necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to 50% of the maximum annual bond service charges required to be paid in that year or any succeeding year.

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After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the first day of November of each year, prior to making allocations or payments of moneys on hand in the Revenue account.

On December 1 of each year, all remaining moneys (after making up any deficiencies) in the Revenue accounts (excluding amounts received for the next ensuing LGA repayment date) are allocated to the Surplus account.

Any deficiency in the amounts required to be deposited in the Debt Service account or the Debt Service Reserve account is to be made up by moneys available in the Surplus account.

(16) WATER DEVELOPMENT REVENUE REFUNDING VARIABLE RATE BONDS—PURE WATER REFUNDING SERIES 2002B

As of December 31, 2005, there was \$108,000,000 of Water Development Revenue Refunding Variable Rate Bonds—Pure Water Refunding Series 2002B outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	Variable	2006–2018	\$ 7,900,000	100,100,000	108,000,000
		Less: deferred loss	–	(6,193,187)	(6,193,187)
			\$ 7,900,000	93,906,813	101,806,813

The Pure Water Refunding Series 2002B Bonds have an adjustable interest rate that is reset weekly at a rate determined by the remarketing agent. The rate for these notes at December 31, 2005 was 3.54%.

On December 1, 2002, the Authority entered into a sixteen-year interest rate swap agreement for \$108,000,000 of its Pure Water Refunding Series 2002B Bonds (Series 2002B Bonds). As a result of the agreement, the Authority makes interest payments to the counterparty, Bear Sterns Financial Products, Inc. (BSFP), at a fixed rate of 4.55% and receives interest payments from BSFP at a rate equal to the Pure Water Refunding Series 2002B Bonds or the BMA Municipal Swap Index if the Series 2002B Bonds no longer bear interest at a weekly rate. The Authority received a \$3,010,263 swap exercise fee from BSFP when the swap was executed. The purpose of the swap was to allow the Authority to issue synthetic fixed rate debt to achieve a 5% savings on a current refunding of a portion of its Pure Water Refunding and Improvement Series Bonds. As of December 31, 2005, the swap had a negative fair value of \$4,824,882, which was calculated using the Par-value method. The risks associated with the swap are as follows:

- a) Credit risk: As of December 31, 2005, the Authority was not exposed to credit risk as the swap had a negative fair value. Should the fair value of the swap become positive, the Authority would be exposed to credit risk in the amount of the swap's value. BSFP was rated Aaa by Moody's and AAA by Standard and Poor's as of December 31, 2005.

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- b) Basis risk: As of December 31, 2005, the Authority was not exposed to basis risk as the interest rate on the swap was equal to the rate on the Series 2002B Bonds. Should the rate on the Series 2002B Bonds be changed to anything other than weekly rate period, the expected savings of the swap transaction may not be realized.
- c) Termination risk: The swap may be terminated by the Authority or BSFP for standard events such as failure to pay and bankruptcy. Additionally, the swap may be terminated by the Authority if the credit rating for BSFP falls below A3 for Moody's or A- for Standard and Poor's. Should the swap be terminated, the Authority would either require BSFP to assign its obligations under the swap to a substitute counterparty or be exposed to variable rate interest on the Series 2002B Bonds. If at termination the swap had a negative fair value, the Authority would be liable to BSFP for a payment equal to the swap's fair value.

The debt service requirements to maturity based on the swap fixed rate of 4.55% are as follows:

Year Ending December 31	Interest	Principal
2006	\$ 4,914,000	7,900,000
2007	4,550,000	500,000
2008	4,527,250	500,000
2009	4,288,375	18,700,000
2010	3,455,725	17,400,000
2011–2015	6,897,800	55,100,000
2016–2018	495,950	7,900,000
Total	\$ <u>29,129,100</u>	<u>108,000,000</u>

LGA reimbursements of Pure Water project costs, including interest, are pledged as security for the bonds.

The bond resolution provides for five separate accounts designated as Pure Water Refunding 2002B Revenue account, Debt Service account, Debt Service Reserve account, Surplus account and Rebate account. As of December 31, 2005, there is no accrued rebate liability for these bonds.

Amounts received from the LGAs as reimbursement of project or construction costs, including capitalized interest, are deposited in the Revenue account. The trustee then allocates or pays out moneys in the Revenue account as follows:

- a) To the trustee for the payment of its fees on the first day of each May and November.
- b) To the Debt Service account on the first day of each May and November, commencing November 1, 2006, (1) a sum which, when added to any available balance then on deposit in the Debt Service account, will be equal to the interest due on that day on all bonds outstanding; (2) a sum which will be equal to the next ensuing mandatory redemption; and (3) a sum which will be equal to the next ensuing principal maturity on all outstanding bonds.
- c) To the Debt Service Reserve account, a semiannual sum as necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to 50% of the maximum annual bond service charges required to be paid in that year or any succeeding year.

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After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the first day of November of each year, prior to making allocations or payments of moneys on hand in the Revenue account.

On December 1 of each year, all remaining moneys (after making up any deficiencies) in the Revenue account (excluding amounts received for the next ensuing LGA repayment date) are allocated to the Surplus account.

Any deficiency in the amounts required to be deposited in the Debt Service account or the Debt Service Reserve account is to be made up by moneys available in the Surplus account.

(17) WATER POLLUTION CONTROL LOAN FUND REVENUE BONDS—STATE MATCH SERIES 1995

As of December 31, 2005, there was \$ 5,280,000 of Water Pollution Control Loan Fund Revenue Bonds—State Match Series 1995 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>
Serial	5.20%	2006	\$ 5,280,000
	Less: unamortized discount		(3,817)
			\$ 5,276,183

The debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2006	\$ 204,880	5,280,000

The serial bonds maturing on or after June 1, 2006 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2005, at par plus accrued interest plus a premium of 1%, which diminishes to zero by June 1, 2007.

LGA reimbursements of Water Pollution Control Loan Fund project costs of interest only, not the principal, pursuant to Water Pollution Control Loan Fund loan agreements, are pledged as security for the bonds.

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 1, 2005, a rebate payable of \$23,807 has been accrued for these bonds.

Amounts received as interest from the LGAs as reimbursement of project or construction costs are deposited in the Interest account. The trustee then allocates or pays out moneys in the Interest account as follows:

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- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding WPCLF Bonds due on the next interest payment date, and (2) the principal of all outstanding WPCLF Bonds due on the next interest payment date, and (3) the mandatory sinking fund requirement for all outstanding WPCLF Bonds due on the next interest payment date and (b) on the last day of May and November, the amount contained in a direction from the Authority to be used to purchase WPCLF Bonds received by the trustee pursuant to any invitation to the holders to tender such WPCLF Bonds in accordance with the provisions of the applicable Series resolution.
- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all WPCLF Bonds issued and outstanding, or 10% of the principal amount of WPCLF Bonds issued and outstanding computed in accordance with the Trust Agreement.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the last day of May or November of each year.

(18) WATER POLLUTION CONTROL LOAN FUND REVENUE BONDS—STATE MATCH SERIES 2000

As of December 31, 2005, there was \$30,775,000 of Water Pollution Control Loan Fund Revenue Bonds—State Match Series 2000 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	5.00% to 5.50%	2006–2012	\$ 6,275,000	24,500,000	30,775,000
	Add: unamortized premium		–	232,559	232,559
			\$ 6,275,000	24,732,559	31,007,559

Not included in the above amounts is \$14,075,000 of bonds remaining outstanding, which the Authority defeased in 2005. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the Authority's financial statements.

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The debt service requirements to maturity are as follows:

Year Ending December 31		Interest	Principal
2006	\$	1,570,925	6,275,000
2007		1,235,150	5,570,000
2008		939,800	5,310,000
2009		644,588	4,930,000
2010		388,150	3,815,000
2011–2012		299,250	4,875,000
Total	\$	<u>5,077,863</u>	<u>30,775,000</u>

The bonds maturing on or before June 1, 2010 are not subject to prior redemption. The bonds maturing on or after December 1, 2010 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2010, at par plus accrued interest.

LGA reimbursements of Water Pollution Control Loan Fund project costs of interest only, not the principal, pursuant to Water Pollution Control Loan Fund loan agreements, are pledged as security for the bonds.

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 1, 2005, there is no accrued rebate liability for these bonds.

Amounts received as interest from the LGAs as reimbursement of project or construction costs are deposited in the Interest account. The trustee then allocates or pays out moneys in the Interest account as follows:

- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding WPCLF Bonds due on the next interest payment date, and (2) the principal of all outstanding WPCLF Bonds due on the next interest payment date, and (3) the mandatory sinking fund requirement for all outstanding WPCLF Bonds due on the next interest payment date and (b) on the last day of May and November, the amount contained in a direction from the Authority to be used to purchase WPCLF Bonds received by the trustee pursuant to any invitation to the holders to tender such WPCLF Bonds in accordance with the provisions of the applicable Series resolution.
- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all WPCLF Bonds issued and outstanding, or 10% of the principal amount of WPCLF Bonds issued and outstanding computed in accordance with the Trust Agreement.

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After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the last day of May or November of each year.

(19) WATER POLLUTION CONTROL LOAN FUND REFUNDING REVENUE BONDS—STATE MATCH SERIES 2001

As of December 31, 2005, there was \$44,210,000 of Water Pollution Control Loan Fund Refunding Revenue Bonds—State Match Series 2001 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	4.00% to 5.25%	2006–2016	\$ 4,545,000	39,665,000	44,210,000
	Add: unamortized premium		–	1,272,296	1,272,296
	Less: deferred loss		–	(3,160,197)	(3,160,197)
			<u>\$ 4,545,000</u>	<u>37,777,099</u>	<u>42,322,099</u>

The debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2006	\$ 2,068,095	4,545,000
2007	1,846,220	4,120,000
2008	1,588,720	8,225,000
2009	1,207,945	7,245,000
2010	864,120	6,175,000
2011–2015	1,217,905	13,830,000
2016	2,363	70,000
Total	<u>\$ 8,795,368</u>	<u>44,210,000</u>

The bonds maturing on or before December 1, 2012 are not subject to prior redemption. The bonds maturing on or after June 1, 2013 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after December 1, 2012, at par plus accrued interest.

LGA reimbursements of Water Pollution Control Loan Fund project costs of interest only, not the principal, pursuant to Water Pollution Control Loan Fund loan agreements, are pledged as security for the bonds.

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 1, 2005, there is no accrued rebate liability for these bonds.

Amounts received as interest from the LGAs as reimbursement of project or construction costs are deposited in the Interest account. The trustee then allocates or pays out moneys in the Interest account as follows:

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- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding WPCLF Bonds due on the next interest payment date, and (2) the principal of all outstanding WPCLF Bonds due on the next interest payment date, and (3) the mandatory sinking fund requirement for all outstanding WPCLF Bonds due on the next interest payment date and (b) on the last day of May, the amount contained in a direction from the Authority to be used to purchase WPCLF Bonds received by the trustee pursuant to any invitation to the holders to tender such WPCLF Bonds in accordance with the provisions of the applicable Series resolution.
- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all WPCLF Bonds issued and outstanding, or 10% of the principal amount of WPCLF Bonds issued and outstanding computed in accordance with the Trust Agreement.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the last day of May or November of each year.

(20) WATER POLLUTION CONTROL LOAN FUND REFUNDING REVENUE BONDS—STATE MATCH SERIES 2005

As of December 31, 2005, there was \$18,645,000 of Water Pollution Control Loan Fund Refunding Revenue Bonds—State Match Series 2005 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	3.00% to 5.00%	2006–2015	\$ 50,000	12,390,000	12,440,000
Term	5.25%	2016-2021	–	6,205,000	6,205,000
			50,000	18,595,000	18,645,000
	Add: unamortized premium		–	1,545,987	1,545,987
	Less: deferred loss		–	(1,442,101)	(1,442,101)
			\$ 50,000	18,698,886	18,748,886

The State Match Series 2005 Bonds were issued to advance refund \$4,955,000 of the State Match Series 1995 Bonds and \$14,075,000 of the State Match Series 2000 Bonds. Although the refunding resulted in a deferred accounting loss for the year ended December 31, 2005 in the amount of \$1,487,167, the Authority in effect reduced its aggregate debt service payments by \$1,287,746 and achieved an economic gain of \$958,015.

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The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2006	\$ 878,325	50,000
2007	813,575	5,000,000
2008	670,163	–
2009	670,163	–
2010	670,163	–
2011–2015	2,924,663	7,390,000
2016-2020	806,269	5,935,000
2021	8,663	270,000
Total	\$ 7,441,984	18,645,000

The term bonds are subject to mandatory redemption beginning December 1, 2016. Neither the term or serial bonds are subject to optional redemption prior to their stated maturity.

LGA reimbursements of Water Pollution Control Loan Fund project costs of interest only, not the principal, pursuant to Water Pollution Control Loan Fund loan agreements, are pledged as security for the bonds.

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 1, 2005, there is no accrued rebate liability for these bonds.

Amounts received as interest from the LGAs as reimbursement of project or construction costs are deposited in the Interest account. The trustee then allocates or pays out moneys in the Interest account as follows:

- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding WPCLF Bonds due on the next interest payment date, and (2) the principal of all outstanding WPCLF Bonds due on the next interest payment date, and (3) the mandatory sinking fund requirement for all outstanding WPCLF Bonds due on the next interest payment date and (b) on the last day of May, the amount contained in a direction from the Authority to be used to purchase WPCLF Bonds received by the trustee pursuant to any invitation to the holders to tender such WPCLF Bonds in accordance with the provisions of the applicable Series resolution.
- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all WPCLF Bonds issued and outstanding, or 10% of the principal amount of WPCLF Bonds issued and outstanding computed in accordance with the Trust Agreement.

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- d) To the Rebate Fund, as necessary to make any payment required under Section 148(f) of the Internal Revenue Code.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the last day of May or November of each year.

(21) WATER POLLUTION CONTROL LOAN FUND REVENUE BONDS—WATER QUALITY SERIES 1997

As of December 31, 2005, there was \$ 44,565,000 of Water Pollution Control Loan Fund Revenue Bonds—Water Quality Series 1997 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	5.00% to 5.25%	2006-2010	\$ 7,850,000	36,715,000	44,565,000
	Add: unamortized premium		—	271,428	271,428
			\$ 7,850,000	36,986,428	44,836,428

Not included in the above amounts is \$131,665,000 of bonds remaining outstanding, which the Authority defeased in 2004 and 2005. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the Authority's financial statements.

The debt service requirements to maturity are as follows:

<u>Year Ending</u>	<u>Interest</u>	<u>Principal</u>
<u>December 31</u>		
2006	\$ 2,195,525	7,850,000
2007	1,770,013	8,930,000
2008	1,285,700	10,135,000
2009	743,750	11,430,000
2010	155,500	6,220,000
Total	\$ 6,150,488	44,565,000

The bonds maturing on or after June 1, 2008 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after December 1, 2007, at par plus accrued interest plus a premium of 1%, which diminishes to zero by December 1, 2009.

LGA reimbursements of Water Pollution Control Loan Fund project costs of principal only, not the interest, pursuant to Water Pollution Control Loan Fund loan agreements, are pledged as security for the bonds.

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 1, 2005, there is no accrued rebate liability for these bonds.

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Amounts received as principal from the LGAs as reimbursement of project or construction costs are deposited in the Repayment account. The trustee then allocates or pays out moneys in the Repayment account as follows:

- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding WPCLF Bonds due on the next interest payment date, and (2) the principal of all outstanding WPCLF Bonds due on the next interest payment date, and (3) the mandatory sinking fund requirement for all outstanding WPCLF Bonds due on the next interest payment date and (b) on the last day of May and November, the amount contained in a direction from the Authority to be used to purchase WPCLF Bonds received by the trustee pursuant to any invitation to the holders to tender such WPCLF Bonds in accordance with the provisions of the applicable Series resolution.
- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all Water Quality Bonds outstanding.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the last day of May or November of each year.

(22) WATER POLLUTION CONTROL LOAN FUND REVENUE BONDS—WATER QUALITY SERIES 2002

As of December 31, 2005, there was \$29,955,000 of Water Pollution Control Loan Fund Revenue Bonds—Water Quality Series 2002 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	3.00% to 5.25%	2006–2014	\$ 995,000	28,960,000	29,955,000
	Add: unamortized premium		—	1,232,693	1,232,693
			<u>\$ 995,000</u>	<u>30,192,693</u>	<u>31,187,693</u>

Not included in the above amounts is \$162,450,000 of bonds remaining outstanding, which the Authority defeased in 2005. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the Authority's financial statements.

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The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2006	\$ 1,437,713	995,000
2007	1,403,263	1,330,000
2008	1,354,350	1,645,000
2009	1,291,438	1,985,000
2010	1,208,038	2,325,000
2011–2014	2,988,825	21,675,000
Total	\$ <u>9,683,627</u>	<u>29,955,000</u>

The bonds maturing on or after June 1, 2015 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2012, at par plus accrued interest.

LGA reimbursements of Water Pollution Control Loan Fund project costs of principal only, not the interest, pursuant to Water Pollution Control Loan Fund loan agreements, are pledged as security for the bonds.

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 31, 2005, there is no accrued rebate liability for these bonds.

Amounts received as principal from the LGAs as reimbursement of project or construction costs are deposited in the Repayment account. The trustee then allocates or pays out moneys in the Repayment account as follows:

- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding WPCLF Bonds due on the next interest payment date, (2) the principal of all outstanding WPCLF Bonds due on the next interest payment date, and (3) the mandatory sinking fund requirement for all outstanding WPCLF Bonds due on the next interest payment date and (b) on the last day of May and November, the amount contained in a direction from the Authority to be used to purchase WPCLF Bonds received by the trustee pursuant to any invitation to the holders to tender such WPCLF Bonds in accordance with the provisions of the applicable Series resolution.
- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all Water Quality Bonds outstanding.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the last day of May or November of each year.

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Notes to Financial Statements

(23) WATER POLLUTION CONTROL LOAN FUND REFUNDING REVENUE BONDS—WATER QUALITY SERIES 2003

As of December 31, 2005, there was \$155,735,000 of Water Pollution Control Loan Fund Refunding Revenue Bonds—Water Quality Series 2003 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	3.00% to 5.25%	2006–2015	\$ 11,660,000	144,075,000	155,735,000
	Add: unamortized premium		–	13,083,697	13,083,697
	Less: deferred loss		–	(13,352,455)	(13,352,455)
			<u>\$ 11,660,000</u>	<u>143,806,242</u>	<u>155,466,242</u>

The debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2006	\$ 7,435,888	11,660,000
2007	6,894,863	12,955,000
2008	6,358,738	14,390,000
2009	5,618,238	16,065,000
2010	4,792,488	17,870,000
2011–2015	11,071,313	82,795,000
Total	<u>\$ 42,171,528</u>	<u>155,735,000</u>

The 2003 Water Quality Series Bonds are not subject to mandatory or optional redemption prior to maturity.

LGA reimbursements of Water Pollution Control Loan Fund project costs of principal only, not the interest, pursuant to Water Pollution Control Loan Fund loan agreements, are pledged as security for the bonds.

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 31, 2005, there is no accrued rebate liability for these bonds.

Amounts received as principal from the LGAs as reimbursement of project or construction costs are deposited in the Repayment account. The trustee then allocates or pays out moneys in the Repayment account as follows:

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- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding WPCLF Bonds due on the next interest payment date, (2) the principal of all outstanding WPCLF Bonds due on the next interest payment date, and (3) the mandatory sinking fund requirement for all outstanding WPCLF Bonds due on the next interest payment date and (b) on the last day of May and November, the amount contained in a direction from the Authority to be used to purchase WPCLF Bonds received by the trustee pursuant to any invitation to the holders to tender such WPCLF Bonds in accordance with the provisions of the applicable Series resolution.
- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all Water Quality Bonds outstanding.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the last day of May or November of each year.

(24) WATER POLLUTION CONTROL LOAN FUND REVENUE BONDS—WATER QUALITY SERIES 2004

As of December 31, 2005, there was \$ 501,525,000 of Water Pollution Control Loan Fund Revenue Bonds—Water Quality Series 2004 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	2.50% to 6.00%	2006–2025	\$ 12,955,000	488,570,000	501,525,000
	Add: unamortized premium		–	34,734,447	34,734,447
			\$ 12,955,000	523,304,447	536,259,447

The debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2006	\$ 24,004,270	12,955,000
2007	23,444,745	15,060,000
2008	22,924,308	21,375,000
2009	22,242,995	19,605,000
2010	21,248,120	24,795,000
2011–2015	85,659,295	148,255,000
2016–2020	47,878,750	149,650,000
2021–2025	12,788,750	109,830,000
Total	\$ 260,191,233	501,525,000

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The bonds maturing on or after December 1, 2014 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2014, at par plus accrued interest.

LGA reimbursements of Water Pollution Control Loan Fund project costs of principal only, not the interest, pursuant to Water Pollution Control Loan Fund loan agreements, are pledged as security for the bonds.

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 31, 2005, there is no accrued rebate liability for these bonds.

Amounts received as principal from the LGAs as reimbursement of project or construction costs are deposited in the Repayment account. The trustee then allocates or pays out moneys in the Repayment account as follows:

- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding WPCLF Bonds due on the next interest payment date, (2) the principal of all outstanding WPCLF Bonds due on the next interest payment date, and (3) the mandatory sinking fund requirement for all outstanding WPCLF Bonds due on the next interest payment date and (b) on the last day of May and November, the amount contained in a direction from the Authority to be used to purchase WPCLF Bonds received by the trustee pursuant to any invitation to the holders to tender such WPCLF Bonds in accordance with the provisions of the applicable Series resolution.
- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all Water Quality Bonds outstanding.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the last day of May or November of each year.

(25) WATER POLLUTION CONTROL LOAN FUND REFUNDING REVENUE BONDS—WATER QUALITY SERIES 2004

As of December 31, 2005, there was \$ 63,655,000 of Water Pollution Control Loan Fund Refunding Revenue Bonds—Water Quality Series 2004 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Long-Term</u>
Serial	5.0%	2010–2014	\$ 63,655,000
	Add: unamortized premium		6,850,126
	Less: deferred loss		<u>(4,539,032)</u>
			<u>\$ 65,966,094</u>

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The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2006	\$ 3,182,750	–
2007	3,182,750	–
2008	3,182,750	–
2009	3,182,750	–
2010	3,182,750	6,465,000
2011–2014	6,552,250	57,190,000
Total	\$ 22,466,000	63,655,000

The 2004 Water Quality Refunding Series Bonds are not subject to mandatory or optional redemption prior to maturity.

LGA reimbursements of Water Pollution Control Loan Fund project costs of principal only, not the interest, pursuant to Water Pollution Control Loan Fund loan agreements, are pledged as security for the bonds.

The bond resolution provides for three separate accounts designated as Debt Service account, Cost of Issuance account, and Rebate account. As of December 31, 2005, there is no accrued rebate liability for these bonds.

Amounts received as principal from the LGAs as reimbursement of project or construction costs are deposited in the Repayment account. The trustee then allocates or pays out moneys in the Repayment account as follows:

- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding WPCLF Bonds due on the next interest payment date, (2) the principal of all outstanding WPCLF Bonds due on the next interest payment date, and (3) the mandatory sinking fund requirement for all outstanding WPCLF Bonds due on the next interest payment date and (b) on the last day of May and November, the amount contained in a direction from the Authority to be used to purchase WPCLF Bonds received by the trustee pursuant to any invitation to the holders to tender such WPCLF Bonds in accordance with the provisions of the applicable Series resolution.
- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all Water Quality Bonds outstanding.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the last day of May or November of each year.

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(26) WATER POLLUTION CONTROL LOAN FUND REFUNDING REVENUE BONDS—WATER QUALITY SERIES 2005

As of December 31, 2005, there was \$215,445,000 of Water Pollution Control Loan Fund Refunding Revenue Bonds—Water Quality Series 2005 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Long-Term</u>
Serial	5.0%	2015–2023	\$ 215,445,000
	Add: unamortized premium		28,591,175
	Less: deferred loss		<u>(14,620,193)</u>
			\$ 229,415,982

The Water Quality Series 2005 Bonds were issued to advance refund \$66,365,000 of the Water Quality Series 1997 Bonds and \$162,450,000 of the Water Quality Series 2002 Bonds. Although the refunding resulted in a deferred accounting loss for the year ended December 31, 2005 in the amount of \$15,432,426, the Authority in effect reduced its aggregate debt service payments by \$18,266,283 and achieved an economic gain of \$11,471,559.

The debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2006	\$ 11,405,588	–
2007	11,405,588	–
2008	11,405,588	–
2009	11,405,588	–
2010	11,405,588	–
2011-2015	56,707,163	24,445,000
2016-2020	31,295,588	153,110,000
2021-2023	2,735,975	37,890,000
Total	\$ 147,766,666	215,445,000

The 2005 Water Quality Refunding Series Bonds are not subject to redemption prior to stated maturity.

LGA reimbursements of Water Pollution Control Loan Fund project costs of principal only, not the interest, pursuant to Water Pollution Control Loan Fund loan agreements, are pledged as security for the bonds.

The bond resolution provides for three separate accounts designated as Debt Service account, Cost of Issuance account, and Rebate account. As of December 31, 2005, there is no accrued rebate liability for these bonds.

Amounts received as principal from the LGAs as reimbursement of project or construction costs are deposited in the Repayment account. The trustee then allocates or pays out moneys in the Repayment account as follows:

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- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding WPCLF Bonds due on the next interest payment date, (2) the principal of all outstanding WPCLF Bonds due on the next interest payment date, and (3) the mandatory sinking fund requirement for all outstanding WPCLF Bonds due on the next interest payment date and (b) on the last day of May and November, the amount contained in a direction from the Authority to be used to purchase WPCLF Bonds received by the trustee pursuant to any invitation to the holders to tender such WPCLF Bonds in accordance with the provisions of the applicable Series resolution.
- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all Water Quality Bonds outstanding.
- d) To the Rebate Fund, as necessary to make any payment required under section 148(f) of the Internal Revenue Code.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the last day of May or November of each year.

(27) WATER POLLUTION CONTROL LOAN FUND REVENUE BONDS—WATER QUALITY SERIES 2005B

As of December 31, 2005, there was \$ 450,901,657 of Water Pollution Control Loan Fund Revenue Bonds— Water Quality Series 2005B outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Long-Term</u>
Serial	4.25% to 5.00%	2008–2025	\$ 361,520,000
Capital Appreciation	4.06% to 4.45%	2012-2017	89,381,657
			<u>450,901,657</u>
		Add: unamortized premium	18,721,061
			<u>\$ 469,622,718</u>

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The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2006	\$ 17,555,550	–
2007	17,555,550	–
2008	17,444,650	9,205,000
2009	16,919,100	19,160,000
2010	16,001,350	18,525,000
2011-2015	72,123,825	114,915,000
2016-2020	63,883,488	139,225,000
2021–2025	26,327,106	190,710,000
Total	\$ <u>247,810,619</u>	<u>491,740,000</u>

The bonds maturing on or after December 1, 2017 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2015, at par plus accrued interest.

LGA reimbursements of Water Pollution Control Loan Fund project costs of principal only, not the interest, pursuant to Water Pollution Control Loan Fund loan agreements, are pledged as security for the bonds.

The bond resolution provides for three separate accounts designated as Debt Service account, Cost of Issuance account, and Rebate account. As of December 31, 2005, there is no accrued rebate liability for these bonds.

Amounts received as principal from the LGAs as reimbursement of project or construction costs are deposited in the Repayment account. The trustee then allocates or pays out moneys in the Repayment account as follows:

- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding WPCLF Bonds due on the next interest payment date, (2) the principal of all outstanding WPCLF Bonds due on the next interest payment date, and (3) the mandatory sinking fund requirement for all outstanding WPCLF Bonds due on the next interest payment date and (b) on the last day of May and November, the amount contained in a direction from the Authority to be used to purchase WPCLF Bonds received by the trustee pursuant to any invitation to the holders to tender such WPCLF Bonds in accordance with the provisions of the applicable Series resolution.
- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all Water Quality Bonds outstanding.

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- d) To the Rebate Fund, as necessary to make any payment required under section 148(f) of the Internal Revenue Code.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the last day of May or November of each year.

(28) DRINKING WATER ASSISTANCE FUND REVENUE BONDS—STATE MATCH SERIES 2002

As of December 31, 2005, there was \$22,735,000 of Drinking Water Assistance Fund Revenue Bonds—State Match Series 2002 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	3.25% to 5.00%	2006–2021	\$ 2,230,000	20,390,000	22,620,000
Term	5.00%	2022–2023	–	115,000	115,000
			2,230,000	20,505,000	22,735,000
	Less: unamortized discount		–	(32,542)	(32,542)
			\$ 2,230,000	20,472,458	22,702,458

The debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2006	\$ 944,375	2,230,000
2007	871,872	2,150,000
2008	791,494	2,075,000
2009	703,869	2,005,000
2010	624,569	1,915,000
2011–2015	2,031,256	7,910,000
2016–2020	553,250	4,105,000
2021–2023	18,375	345,000
Total	\$ 6,539,060	22,735,000

The bonds maturing on or after June 1, 2013 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after December 1, 2012, at par plus accrued interest.

LGA reimbursements of Drinking Water Assistance Fund project costs of interest only, not the principal, pursuant to Drinking Water Assistance Fund loan agreements, are pledged as security for the bonds.

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 31, 2005, there is no accrued rebate liability for these bonds.

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Amounts received as interest from the LGAs as reimbursement of project or construction costs are deposited in the Interest account. The trustee then allocates or pays out moneys in the Interest account as follows:

- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding DWAF State Match Bonds due on the next interest payment date, (2) the principal of all outstanding DWAF State Match Bonds due on the next interest payment date, and (3) the mandatory sinking fund requirement for all outstanding DWAF State Match Bonds due on the next interest payment date and (b) on the last day of May, the amount contained in a direction from the Authority to be used to purchase DWAF State Match Bonds received by the trustee pursuant to any invitation to the holders to tender such DWAF State Match Bonds in accordance with the provisions of the applicable Series resolution.
- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all DWAF State Match Bonds issued and outstanding, or 10% of the principal amount of DWAF State Match Bonds issued and outstanding computed in accordance with the Trust Agreement.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the last day of May or November of each year.

(29) DRINKING WATER ASSISTANCE FUND REVENUE BONDS—STATE MATCH SERIES 2004

As of December 31, 2005, there was \$32,590,000 of Drinking Water Assistance Fund Revenue Bonds—State Match Series 2004 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>		<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	2.00% to 5.00%	2006–2013	\$	2,095,000	16,680,000	18,775,000
Term	4.25% to 5.00%	2014–2025		–	13,815,000	13,815,000
				2,095,000	30,495,000	32,590,000
	Add: unamortized premium			–	1,931,767	1,931,767
			\$	2,095,000	32,426,767	34,521,767

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The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2006	\$ 1,404,400	2,095,000
2007	1,350,200	2,615,000
2008	1,269,638	2,520,000
2009	1,144,263	2,470,000
2010	1,033,938	2,395,000
2011–2015	3,572,188	10,575,000
2016–2020	1,400,325	7,300,000
2021–2025	218,238	2,620,000
Total	\$ <u>11,393,190</u>	<u>32,590,000</u>

The bonds maturing on or after December 1, 2014 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2014, at par plus accrued interest.

LGA reimbursements of Drinking Water Assistance Fund project costs of interest only, not the principal, pursuant to Drinking Water Assistance Fund loan agreements, are pledged as security for the bonds.

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 31, 2005, there is no accrued rebate liability for these bonds.

Amounts received as interest from the LGAs as reimbursement of project or construction costs are deposited in the Interest account. The trustee then allocates or pays out moneys in the Interest account as follows:

- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding DWAF State Match Bonds due on the next interest payment date, (2) the principal of all outstanding DWAF State Match Bonds due on the next interest payment date, and (3) the mandatory sinking fund requirement for all outstanding DWAF State Match Bonds due on the next interest payment date and (b) on the last day of May, the amount contained in a direction from the Authority to be used to purchase DWAF State Match Bonds received by the trustee pursuant to any invitation to the holders to tender such DWAF State Match Bonds in accordance with the provisions of the applicable Series resolution.
- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all DWAF State Match Bonds issued and outstanding, or 10% of the principal amount of DWAF State Match Bonds issued and outstanding computed in accordance with the Trust Agreement.

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After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the last day of May or November of each year.

(30) DRINKING WATER ASSISTANCE FUND REVENUE BONDS—LEVERAGE SERIES 2002

As of December 31, 2005, there was \$20,140,000 of Drinking Water Assistance Fund Revenue Bonds—Leverage Series 2002 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	3.250% to 5.375%	2006–2013	\$ 1,250,000	15,470,000	16,720,000
Term	5.00% to 5.50%	2014	–	3,420,000	3,420,000
			1,250,000	18,890,000	20,140,000
	Add: unamortized premium		–	195,400	195,400
			\$ 1,250,000	19,085,400	20,335,400

Not included in the above amounts is \$37,500,000 of bonds remaining outstanding, which the Authority defeased in 2005. For accounting purposes, the assets and liabilities for the defeased bonds are not reflected in the Authority’s financial statements.

The debt service requirements to maturity are as follows:

<u>Year Ending December 31</u>	<u>Interest</u>	<u>Principal</u>
2006	\$ 865,888	1,250,000
2007	821,794	1,450,000
2008	767,431	1,660,000
2009	698,531	1,915,000
2010	619,331	2,180,000
2011–2014	1,375,731	11,685,000
Total	\$ 5,148,706	20,140,000

The bonds maturing on or after June 1, 2013 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after December 1, 2012, at par plus accrued interest.

LGA reimbursements of Drinking Water Assistance Fund project costs of principal only, not the interest, pursuant to Drinking Water Assistance Fund loan agreements, are pledged as security for the bonds.

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 31, 2005, there is no accrued rebate liability for these bonds.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

Amounts received as principal from the LGAs as reimbursement of project or construction costs are deposited in the Principal Repayments account. The trustee then allocates or pays out moneys in the Principal Repayments account as follows:

- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding DWAF Leverage Bonds due on the next interest payment date, (2) the principal of all outstanding DWAF Leverage Bonds due on the next interest payment date, and (3) the mandatory sinking fund requirement for all outstanding DWAF Leverage Bonds due on the next interest payment date and (b) on the last day of May, the amount contained in a direction from the Authority to be used to purchase DWAF Leverage Bonds received by the trustee pursuant to any invitation to the holders to tender such DWAF Leverage Bonds in accordance with the provisions of the applicable Series resolution.
- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all DWAF Leverage Bonds issued and outstanding, or 10% of the principal amount of DWAF Leverage Bonds issued and outstanding computed in accordance with the Trust Agreement.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the last day of May or November of each year.

(31) DRINKING WATER ASSISTANCE FUND REVENUE BONDS—LEVERAGE SERIES 2004

As of December 31, 2005, there was \$66,145,000 of Drinking Water Assistance Fund Revenue Bonds—Leverage Series 2004 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>		<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	2.00% to 5.00%	2006–2013	\$	615,000	13,870,000	14,485,000
Term	4.50% to 5.00%	2014–2025		–	51,660,000	51,660,000
				615,000	65,530,000	66,145,000
	Add: unamortized premium			–	3,121,600	3,121,600
			\$	615,000	68,651,600	69,266,600

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2006	\$ 2,928,550	615,000
2007	2,908,988	1,360,000
2008	2,876,200	1,565,000
2009	2,834,819	1,760,000
2010	2,783,775	1,975,000
2011–2015	12,519,675	12,990,000
2016–2020	8,783,613	20,190,000
2021–2025	3,229,288	25,690,000
Total	<u>\$ 38,864,908</u>	<u>66,145,000</u>

The bonds maturing on or after December 1, 2014 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on or after June 1, 2014, at par plus accrued interest.

LGA reimbursements of Drinking Water Assistance Fund project costs of principal only, not the interest, pursuant to Drinking Water Assistance Fund loan agreements, are pledged as security for the bonds.

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 31, 2005, there is no accrued rebate liability for these bonds.

Amounts received as principal from the LGAs as reimbursement of project or construction costs are deposited in the Principal Repayments account. The trustee then allocates or pays out moneys in the Principal Repayments account as follows:

- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding DWAF Leverage Bonds due on the next interest payment date, (2) the principal of all outstanding DWAF Leverage Bonds due on the next interest payment date, and (3) the mandatory sinking fund requirement for all outstanding DWAF Leverage Bonds due on the next interest payment date and (b) on the last day of May, the amount contained in a direction from the Authority to be used to purchase DWAF Leverage Bonds received by the trustee pursuant to any invitation to the holders to tender such DWAF Leverage Bonds in accordance with the provisions of the applicable Series resolution.
- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all DWAF Leverage Bonds issued and outstanding, or 10% of the principal amount of DWAF Leverage Bonds issued and outstanding computed in accordance with the Trust Agreement.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the last day of May or November of each year.

(32) DRINKING WATER ASSISTANCE FUND REFUNDING REVENUE BONDS—LEVERAGE SERIES 2005

As of December 31, 2005, there was \$36,565,000 of Drinking Water Assistance Fund Refunding Revenue Bonds —Leverage Series 2005 outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Long-Term</u>
Serial	5.00% to 5.25%	2015–2023	\$ 18,705,000
Term	5.25%	2019-2022	<u>17,860,000</u>
			36,565,000
	Add: unamortized premium		4,867,262
	Less: deferred loss		<u>(2,780,941)</u>
			<u>\$ 38,651,321</u>

The Drinking Water Assistance Fund Leverage Series 2005 Bonds were issued to advance refund \$37,500,000 of the Drinking Water Assistance Fund Leverage Series 2002 Bonds. Although the refunding resulted in a deferred accounting loss for the year ended December 31, 2005 in the amount of \$2,860,397, the Authority in effect reduced its aggregate debt service payments by \$2,734,323 and achieved an economic gain of \$1,930,986.

The debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Interest</u>	<u>Principal</u>
2006	\$ 1,910,175	–
2007	1,910,175	–
2008	1,910,175	–
2009	1,910,175	–
2010	1,910,175	–
2011–2015	9,503,500	3,795,000
2016–2020	5,785,894	25,505,000
2021–2023	492,713	<u>7,265,000</u>
Total	<u>\$ 25,332,982</u>	<u>36,565,000</u>

The term bonds are subject to mandatory redemption beginning June 1, 2019, at par plus accrued interest. Neither the term or serial bonds are subject to optional redemption prior to their stated maturity.

LGA reimbursements of Drinking Water Assistance Fund project costs of principal only, not the interest, pursuant to Drinking Water Assistance Fund loan agreements, are pledged as security for the bonds.

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 31, 2005, there is no accrued rebate liability for these bonds.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

Amounts received as principal from the LGAs as reimbursement of project or construction costs are deposited in the Principal Repayments account. The trustee then allocates or pays out moneys in the Principal Repayments account as follows:

- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding DWAF Leverage Bonds due on the next interest payment date, (2) the principal of all outstanding DWAF Leverage Bonds due on the next interest payment date, and (3) the mandatory sinking fund requirement for all outstanding DWAF Leverage Bonds due on the next interest payment date and (b) on the last day of May, the amount contained in a direction from the Authority to be used to purchase DWAF Leverage Bonds received by the trustee pursuant to any invitation to the holders to tender such DWAF Leverage Bonds in accordance with the provisions of the applicable Series resolution.
- b) To the trustee for the payment of its fees on the last day of each May and November.
- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all DWAF Leverage Bonds issued and outstanding, or 10% of the principal amount of DWAF Leverage Bonds issued and outstanding computed in accordance with the Trust Agreement.
- d) To the Rebate Fund, as necessary to make any payment required under section 148(f) of the Internal Revenue Code.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the last day of May or November of each year.

(33) DRINKING WATER ASSISTANCE FUND REVENUE BONDS—LEVERAGE SERIES 2005B

As of December 31, 2005, there was \$61,135,000 of Drinking Water Assistance Fund Revenue Bonds—Leverage Series 2005B outstanding, as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>		<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Serial	3.25% to 5.00%	2006 to 2026	\$	385,000	24,385,000	24,770,000
Term	4.50% to 5.00%	2016 to 2025		–	36,365,000	36,365,000
				385,000	60,750,000	61,135,000
	Add: unamortized premium			–	2,029,089	2,029,089
			\$	385,000	62,779,089	63,164,089

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

The debt service requirements to maturity are as follows:

Year Ending December 31	Interest	Principal
2006	\$ 3,054,129	385,000
2007	2,771,713	940,000
2008	2,732,200	1,775,000
2009	2,667,031	1,985,000
2010	2,589,186	2,210,000
2011–2015	11,337,013	14,630,000
2016–2020	7,831,450	14,890,000
2021–2025	3,641,850	21,475,000
2026	67,569	2,845,000
Total	\$ 36,692,141	61,135,000

The term bonds are subject to mandatory redemption beginning June 1, 2016, at par plus accrued interest. Both the term and serial bonds maturing after December 1, 2015 are callable for redemption prior to maturity at the option of the Authority, in whole or in part, on any date on or after December 1, 2015, at par plus accrued interest.

LGA reimbursements of Drinking Water Assistance Fund project costs of principal only, not the interest, pursuant to Drinking Water Assistance Fund loan agreements, are pledged as security for the bonds.

The bond resolution provides for five separate accounts designated as Net Bond Proceeds account, Debt Service account, Debt Service Reserve account, Cost of Issuance account and Rebate account. As of December 31, 2005, there is no accrued rebate liability for these bonds.

Amounts received as principal from the LGAs as reimbursement of project or construction costs are deposited in the Principal Repayments account. The trustee then allocates or pays out moneys in the Principal Repayments account as follows:

- a) To the Debt Service account, (a) all revenues as soon as received until the balance in the Debt Service account equals an amount which, when added to any balance then on deposit in the Debt Service account and available for such purpose, will be equal to the sum of (1) the interest on all outstanding DWAF Leverage Bonds due on the next interest payment date, (2) the principal of all outstanding DWAF Leverage Bonds due on the next interest payment date, and (3) the mandatory sinking fund requirement for all outstanding DWAF Leverage Bonds due on the next interest payment date and (b) on the last day of May, the amount contained in a direction from the Authority to be used to purchase DWAF Leverage Bonds received by the trustee pursuant to any invitation to the holders to tender such DWAF Leverage Bonds in accordance with the provisions of the applicable Series resolution.
- b) To the trustee for the payment of its fees on the last day of each May and November.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

- c) To the Debt Service Reserve account, a semiannual sum on June 1 and December 1 as may be necessary to maintain in the Debt Service Reserve account investments or cash having a par value at least equal to the lesser of 50% of the maximum annual bond service charges required to be paid on all DWAF Leverage Bonds issued and outstanding, or 10% of the principal amount of DWAF Leverage Bonds issued and outstanding computed in accordance with the Trust Agreement.
- d) To the Rebate Fund, as necessary to make any payment required under section 148(f) of the Internal Revenue Code.

After the Debt Service Reserve account has reached the required reserve fund balance, interest earned on that balance will be transferred to the Debt Service account on the last day of May or November of each year.

(34) WATER DEVELOPMENT REVENUE BONDS AND NOTES —INDUSTRIAL SERIES

The Authority established the industrial program to assist private industry and certain municipalities in financing the construction of water and solid waste pollution control facilities. Under the financing agreements, industrial companies and municipalities are required to make payments for a period of up to 35 years, sufficient to pay, as they become due, interest and principal on the bonds and notes issued to finance the projects. The Authority has no liability for repayment of these bonds and notes. As of December 31, 2005, outstanding bonds and notes under this program total \$2,205,235,000.

(35) DEFINED BENEFIT PENSION PLAN

All employees of the Authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system. The total payroll as well as the payroll for employees covered by OPERS for the years ended December 31, 2005, 2004 and 2003 were approximately \$905,000, \$885,000, and \$940,000, respectively.

OPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code (ORC). The ORC also provides statutory authority for employee and employer contributions. In 2005, the employee and employer contribution rates were 8.50% and 13.31%, respectively, for all Authority employees. Total required employer contributions were approximately \$120,500, \$118,000, and \$125,000 for the years ending December 31, 2005, 2004 and 2003, respectively, and are equal to 100% of the dollar amount billed to, and paid by, the Authority.

The OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (800) 222-PERS.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

Postretirement Healthcare

OPERS provides postretirement healthcare coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Healthcare coverage for disability recipients and primary survivor recipients is also available.

The healthcare coverage provided by the retirement system is considered an Other Postemployment Benefits (OPEB) as described in GASB Statement No. 12, *Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers*. The ORC provides statutory authority for employer contributions and requires public employers to fund postretirement healthcare through their contributions to OPERS. A portion of each employer contribution to OPERS is set aside for the funding of postretirement healthcare. For the year ended December 31, 2005, that portion was 4.0% for all Authority employees.

OPEB are advance-funded using entry-age, normal cost method, through employer contributions and investment earnings thereon. Significant actuarial assumptions, based on the latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.0%, an annual increase in total payroll for active employees of 4.0% compounded annually for inflation, and an additional increase in total payroll of between 0.5% and 6.3% based on additional annual pay increases. Healthcare premiums were assumed to increase 4.0% annually.

Net assets available for payment of benefits at December 31, 2004 (the latest information available) were \$10.8 billion. The actuarially accrued liability and the assets in excess of actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively. All investments are carried at market value. For the actuarial valuation of net assets available for future healthcare benefits, OPERS applies the smoothed market approach. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation on depreciation on investments. The Authority's actuarially required and actual contributions for the OPERS healthcare plan was approximately \$36,210 for the year ending December 31, 2005, covering 20 participants.

(36) COMMITMENTS

As of December 31, 2005, the Authority has loan commitments to finance LGA construction projects in the following amounts:

<u>Fund</u>	<u>Amount</u>
Other Projects	\$ 10,638,817
Rural Utility Services	7,201,220
Community Assistance	10,393,452
Fresh Water	79,024,305
Pure Water Refunding	652,693
Water Pollution Control Loan	677,413,710
Drinking Water Assistance	79,521,378
	<u>\$ 864,845,575</u>

Loan commitments consist of loan awards that have been encumbered by the Authority but not yet disbursed to the LGAs. The Authority intends to meet these LGA commitments with currently available funds and grant commitments from the U.S. EPA.

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

(37) TRANSFERS

Interfund transfers for the year ended December 31, 2005 consisted of the following:

Transfer from Working Capital to:	
Refunding	\$ (309,642)
Transfers to (from) Other Projects from (to):	
Community Assistance	(54,529)
Fresh Water	3,227,680
Refunding	(8,094)
Safe Water Refunding	(3,103,276)
Pure Water Refunding	(2,545,768)
Water Pollution Control Loan	(101,297)
Drinking Water Assistance	(11,841)
	\$ (2,597,125)
Transfers to Community Assistance from:	
Other Projects	\$ 54,529
Transfers to (from) Fresh Water from (to):	
Other Projects	(3,227,680)
Refunding	5,507,387
Safe Water Refunding	4,839,279
Pure Water Refunding	(12,085,883)
	\$ (4,966,897)
Transfers to (from) Refunding from (to):	
Working Capital	309,642
Other Projects	8,094
Fresh Water	(5,507,387)
	\$ (5,189,651)
Transfers to (from) Safe Water Refunding from (to):	
Other Projects	3,103,276
Fresh Water	(4,839,279)
	\$ (1,736,003)
Transfers to Pure Water Refunding from:	
Other Projects	2,545,768
Fresh Water	12,085,883
	\$ 14,631,651
Transfers to (from) Water Pollution Control Loan from (to):	
Other Projects	101,297
Drinking Water Assistance	(58,645)
	\$ 42,652
Transfers to Drinking Water Assistance from:	
Other Projects	11,841
Water Pollution Control Loan	58,645
	\$ 70,486
Total Transfers, net	\$ —

OHIO WATER DEVELOPMENT AUTHORITY

Notes to Financial Statements

Transfers are used to meet the requirements of certain debt covenants or to fund additional program activities as authorized by the Authority's Board. In the year ended December 31, 2005, the Authority made a transfer of \$20,000,000 from the Fresh Water Fund to the Pure Water Fund for the purpose of calling bonds and a transfer of \$2,129,125 from the Fresh Water Fund to the Other Projects Fund to provide additional funding for the Unallocated Reserve account.

(38) CHANGES IN LONG-TERM LIABILITIES

As of December 31, 2005, the Authority has long-term liabilities in the following amounts:

Long-Term Liability	12/31/2004 Balance	Additions	Reductions	12/31/2005 Balance	Due Within One Year	Due in More Than One Year
Compensated Absences	\$ 161,714	25,534	20,168	167,080	-	167,080
Revenue Bonds and Notes Payable	2,243,949,138	975,028,982	595,560,486	2,623,417,634	141,798,183	2,481,619,451
Total Long-Term Liabilities	2,244,110,852	975,054,516	595,580,654	2,623,584,714	141,798,183	2,481,786,531

**OHIO WATER DEVELOPMENT AUTHORITY
OTHER PROJECTS FUND**

Schedule of Combining Balance Sheets

December 31, 2005

	Trusteed Fund				
	Unallocated Reserve	Interest Rate Management	Endowment Grant	Solid Waste	Local Economic Development
<u>Assets</u>					
Current assets:					
Cash and cash equivalents	\$ 43,713	84,157	17,064	51,511	10,158,987
Investments	16,438,035	4,240,707	6,100,457	7,685,041	18,076,227
Loan receivables	-	-	-	790,877	296,383
Total current assets	16,481,748	4,324,864	6,117,521	8,527,429	28,531,597
Noncurrent assets:					
Investments	-	-	-	-	3,987,829
Loan receivables	-	-	-	7,423,628	13,036,980
Total noncurrent assets	-	-	-	7,423,628	17,024,809
Total assets	\$ 16,481,748	4,324,864	6,117,521	15,951,057	45,556,406
<u>Liabilities</u>					
Current liabilities:					
Accounts payable	-	-	65,381	-	15,097
Total liabilities	-	-	65,381	-	15,097
<u>Net Assets</u>					
Restricted for debt and grant covenants	-	-	-	-	-
Unrestricted	16,481,748	4,324,864	6,052,140	15,951,057	45,541,309
Total net assets	16,481,748	4,324,864	6,052,140	15,951,057	45,541,309
Total liabilities and net assets	\$ 16,481,748	4,324,864	6,117,521	15,951,057	45,556,406

Trusted Fund

Village Capital Improvements	Emergency Relief	Dam Safety	Lake Erie Soil Erosion	Security Assistance	Interest Rate Subsidy	Fund Total
2,412,819	48,098	5,178,221	1,999,263	5,172,079	74,167	25,240,079
6,866	4,455,725	28,826	5,372	17,698	16,045,448	73,100,402
113,476	-	-	10,024	7,047	-	1,217,807
<u>2,533,161</u>	<u>4,503,823</u>	<u>5,207,047</u>	<u>2,014,659</u>	<u>5,196,824</u>	<u>16,119,615</u>	<u>99,558,288</u>
-	-	4,272,165	150,744	-	-	8,410,738
882,437	-	-	321,149	178,828	-	21,843,022
<u>882,437</u>	<u>-</u>	<u>4,272,165</u>	<u>471,893</u>	<u>178,828</u>	<u>-</u>	<u>30,253,760</u>
<u><u>3,415,598</u></u>	<u><u>4,503,823</u></u>	<u><u>9,479,212</u></u>	<u><u>2,486,552</u></u>	<u><u>5,375,652</u></u>	<u><u>16,119,615</u></u>	<u><u>129,812,048</u></u>
15,001	-	21,878	-	-	-	117,357
<u>15,001</u>	<u>-</u>	<u>21,878</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>117,357</u>
-	-	-	-	-	-	-
3,400,597	4,503,823	9,457,334	2,486,552	5,375,652	16,119,615	129,694,691
<u>3,400,597</u>	<u>4,503,823</u>	<u>9,457,334</u>	<u>2,486,552</u>	<u>5,375,652</u>	<u>16,119,615</u>	<u>129,694,691</u>
<u><u>3,415,598</u></u>	<u><u>4,503,823</u></u>	<u><u>9,479,212</u></u>	<u><u>2,486,552</u></u>	<u><u>5,375,652</u></u>	<u><u>16,119,615</u></u>	<u><u>129,812,048</u></u>

OHIO WATER DEVELOPMENT AUTHORITY
OTHER PROJECTS FUND

Schedule of Combining Statements of Revenues,
Expenses and Changes in Fund Net Assets

Year ended December 31, 2005

	Trusted Fund				
	Unallocated Reserve	Interest Rate Management	Endowment Grant	Solid Waste	Local Economic Development
Operating revenues:					
Loan income	\$ -	-	-	384,029	317,147
Investment income	444,203	69,483	177,934	254,207	937,996
Total operating revenues	444,203	69,483	177,934	638,236	1,255,143
Operating expenses:					
Other	22,931	1,913	478,955	12,507	25,771
Total operating expenses	22,931	1,913	478,955	12,507	25,771
Operating income (loss)	421,272	67,570	(301,021)	625,729	1,229,372
Transfers in (out), net	766,122	2,623,745	-	-	-
Change in net assets	1,187,394	2,691,315	(301,021)	625,729	1,229,372
Net assets at beginning of year	15,294,354	1,633,549	6,353,161	15,325,328	44,311,937
Net assets at end of year	\$ 16,481,748	4,324,864	6,052,140	15,951,057	45,541,309

Trusteed Fund

Village Capital Improvements	Emergency Relief	Dam Safety	Lake Erie Soil Erosion	Security Assistance	Interest Rate Subsidy	Fund Total
-	-	-	19,339	3,724	-	724,239
58,952	133,041	288,678	60,985	156,731	484,609	3,066,819
58,952	133,041	288,678	80,324	160,455	484,609	3,791,058
1,350	4,767	3,679	6,000	1,500	17,545	576,918
1,350	4,767	3,679	6,000	1,500	17,545	576,918
57,602	128,274	284,999	74,324	158,955	467,064	3,214,140
-	(974,144)	-	-	-	(5,012,848)	(2,597,125)
57,602	(845,870)	284,999	74,324	158,955	(4,545,784)	617,015
3,342,995	5,349,693	9,172,335	2,412,228	5,216,697	20,665,399	129,077,676
3,400,597	4,503,823	9,457,334	2,486,552	5,375,652	16,119,615	129,694,691

OHIO WATER DEVELOPMENT AUTHORITY
OTHER PROJECTS FUND

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2005

	Trusteed Fund				
	Unallocated Reserve	Interest Rate Management	Endowment Grant	Solid Waste	Local Economic Development
Operating activities:					
Operating expenses	\$ (22,931)	(1,913)	(18,702)	(12,507)	(25,771)
Net cash (used) by operating activities	(22,931)	(1,913)	(18,702)	(12,507)	(25,771)
Investing activities:					
Proceeds from maturity or sale of investments	38,765,754	4,571,980	14,537,508	25,560,071	19,250,632
Purchase of investments	(39,971,710)	(7,159,726)	(14,284,133)	(25,191,554)	(14,491,485)
Interest received on investments, net of purchased interest	371,896	44,060	144,265	222,925	845,245
Interest received on projects	-	-	-	368,930	273,395
Principal collected on projects	-	-	-	541,228	1,722,470
Payment for construction of projects	-	-	(567,491)	(1,946,495)	(4,562,853)
Net cash provided (used) by investing activities	(834,060)	(2,543,686)	(169,851)	(444,895)	3,037,404
Noncapital financing activities:					
Other	-	1,260,742	-	-	-
Transfers (to) from other funds	766,122	1,363,002	-	-	-
Net cash provided (used) by noncapital financing activities	766,122	2,623,744	-	-	-
Net increase (decrease) in cash and cash equivalents	(90,869)	78,145	(188,553)	(457,402)	3,011,633
Cash and cash equivalents at beginning of year	134,582	6,012	205,617	508,913	7,147,354
Cash and cash equivalents at end of year	\$ 43,713	84,157	17,064	51,511	10,158,987
Reconciliation of operating income (loss) to net cash (used) by operating activities:					
Operating income (loss)	421,272	67,570	(301,021)	625,729	1,229,372
Adjustments:					
Investment income	(444,203)	(69,483)	(177,934)	(254,207)	(937,996)
Operating expenses	-	-	460,253	-	-
Loan income	-	-	-	(384,029)	(317,147)
Net cash (used) by operating activities	\$ (22,931)	(1,913)	(18,702)	(12,507)	(25,771)

Trusteed Fund

Village Capital Improvements	Emergency Relief	Dam Safety	Lake Erie Soil Erosion	Security Assistance	Interest Rate Subsidy	Fund Total
(1,350)	(4,767)	(3,679)	(6,000)	(1,500)	(17,545)	(116,665)
(1,350)	(4,767)	(3,679)	(6,000)	(1,500)	(17,545)	(116,665)
-	14,166,767	306,543	1,622,633	-	49,360,919	168,142,807
-	(13,583,241)	(1,150,000)	(897,633)	-	(44,853,858)	(161,583,340)
55,158	127,376	325,587	72,106	147,252	444,841	2,800,711
-	-	-	19,339	3,775	-	665,439
332,693	-	-	48,394	5,122	-	2,649,907
(300,954)	-	-	-	(18,871)	-	(7,396,664)
86,897	710,902	(517,870)	864,839	137,278	4,951,902	5,278,860
-	-	-	-	-	-	1,260,742
-	(974,143)	-	-	-	(5,012,853)	(3,857,872)
-	(974,143)	-	-	-	(5,012,853)	(2,597,130)
85,547	(268,008)	(521,549)	858,839	135,778	(78,496)	2,565,065
2,327,272	316,106	5,699,770	1,140,424	5,036,301	152,663	22,675,014
2,412,819	48,098	5,178,221	1,999,263	5,172,079	74,167	25,240,079
57,602	128,274	284,999	74,324	158,955	467,064	3,214,140
(58,952)	(133,041)	(288,678)	(60,985)	(156,731)	(484,609)	(3,066,819)
-	-	-	-	-	-	460,253
-	-	-	(19,339)	(3,724)	-	(724,239)
(1,350)	(4,767)	(3,679)	(6,000)	(1,500)	(17,545)	(116,665)

**OHIO WATER DEVELOPMENT AUTHORITY
RURAL UTILITY SERVICES FUND**

Schedule of Combining Balance Sheets

December 31, 2005

	Trusted Fund	
	Rural Development 1999	Rural Development 2002
<u>Assets</u>		
Noncurrent assets:		
Restricted note covenant assets:		
Cash and Cash Equivalents	\$ -	431,216
Investments	-	1,475
Loan receivables	515,507	91,723
Total restricted assets	515,507	524,414
Deferred note issuance expense	-	-
Total assets	\$ 515,507	524,414
 <u>Liabilities</u>		
Current liabilities payable from restricted assets:		
Accrued interest	-	-
Accounts payable	-	-
Water Development Revenue Notes:		
Rural Development Series 2004	-	-
Total current liabilities payable from restricted assets	-	-
Noncurrent liabilities:		
Water Development Revenue Notes:		
Rural Development Series 2004	-	-
Total noncurrent liabilities	-	-
Total liabilities	-	-
 <u>Net Assets</u>		
Restricted for debt and grant covenants	515,507	524,414
Unrestricted	-	-
Total net assets	515,507	524,414
Total liabilities and net assets	\$ 515,507	524,414

Trusteed Fund

Rural Development 2003	Rural Development 2004	Fund Total
1,001,815	14,060,502	15,493,533
2,946	33,243	37,664
10,011,525	7,845,758	18,464,513
<u>11,016,286</u>	<u>21,939,503</u>	<u>33,995,710</u>
-	54,323	54,323
<u>11,016,286</u>	<u>21,993,826</u>	<u>34,050,033</u>
-	39,580	39,580
-	518,383	518,383
<u>-</u>	<u>9,827,000</u>	<u>9,827,000</u>
-	10,384,963	10,384,963
<u>-</u>	<u>4,978,000</u>	<u>4,978,000</u>
-	4,978,000	4,978,000
<u>-</u>	<u>15,362,963</u>	<u>15,362,963</u>
11,016,286	6,630,863	18,687,070
-	-	-
<u>11,016,286</u>	<u>6,630,863</u>	<u>18,687,070</u>
<u>11,016,286</u>	<u>21,993,826</u>	<u>34,050,033</u>

OHIO WATER DEVELOPMENT AUTHORITY
RURAL UTILITY SERVICES FUND

Schedule of Combining Statements of Revenues,
Expenses and Changes in Fund Net Assets

Year ended December 31, 2005

	Trusteed Fund		
	Rural Development 1999	Rural Development 2000	Rural Development 2002
	1999	2000	2002
Operating revenues:			
Loan income	\$ 49,132	30,861	264,379
Investment income	-	-	15,144
Total operating revenues	49,132	30,861	279,523
Operating expenses:			
Interest on notes	-	-	-
Amortization of note issuance expense	-	-	-
Other	-	-	-
Total operating expenses	-	-	-
Operating income (loss)	49,132	30,861	279,523
Transfers in (out), net	-	(2,908,309)	(7,777,953)
Change in net assets	49,132	(2,877,448)	(7,498,430)
Net assets at beginning of year	466,375	2,877,448	8,022,844
Net assets at end of year	\$ 515,507	-	524,414

Trusteed Fund

Rural Development 2003	Rural Development 2004	Fund Total
393,195	102,357	839,924
<u>97,820</u>	<u>353,616</u>	<u>466,580</u>
491,015	455,973	1,306,504
304,611	395,279	699,890
57,469	31,044	88,513
<u>84,396</u>	<u>79,746</u>	<u>164,142</u>
446,476	506,069	952,545
<u>44,539</u>	<u>(50,096)</u>	<u>353,959</u>
<u>3,978,727</u>	<u>6,707,535</u>	-
4,023,266	6,657,439	353,959
<u>6,993,020</u>	<u>(26,576)</u>	<u>18,333,111</u>
<u>11,016,286</u>	<u>6,630,863</u>	<u>18,687,070</u>

OHIO WATER DEVELOPMENT AUTHORITY
RURAL UTILITY SERVICES FUND

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2005

	Trusteed Fund		
	Rural Development 1999	Rural Development 2000	Rural Development 2002
	1999	2000	2002
Operating activities:			
Operating expenses	\$ -	-	-
Net cash (used) by operating activities	-	-	-
Investing activities:			
Interest received on investments, net of purchased interest	-	-	15,125
Principal collected on projects	-	-	-
Payment for construction of projects	-	-	(88,198)
Net cash provided (used) by investing activities	-	-	(73,073)
Noncapital financing activities:			
Interest paid on notes, net of purchased interest	-	-	-
Redemption of notes	-	-	-
Transfers (to) from other funds	-	(1)	(388,990)
Net cash provided (used) by noncapital financing activities	-	(1)	(388,990)
Net increase (decrease) in cash and cash equivalents	-	(1)	(462,063)
Cash and cash equivalents at beginning of year	-	1	893,279
Cash and cash equivalents at end of year	\$ -	-	431,216
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	49,132	30,861	279,523
Adjustments:			
Investment income	-	-	(15,144)
Interest on notes	-	-	-
Loan income	(49,132)	(30,861)	(264,379)
Amortization of note issuance expense	-	-	-
Net cash (used) by operating activities	\$ -	-	-

Trusteed Fund

Rural Development 2003	Rural Development 2004	Fund Total
(84,396)	(79,746)	(164,142)
(84,396)	(79,746)	(164,142)
105,973	350,945	472,043
17,715,771	7,608,058	25,323,829
(2,063,716)	(7,317,861)	(9,469,775)
15,758,028	641,142	16,326,097
(337,518)	(378,606)	(716,124)
(22,985,000)	(1,195,000)	(24,180,000)
688,991	(300,000)	-
(22,633,527)	(1,873,606)	(24,896,124)
(6,959,895)	(1,312,210)	(8,734,169)
7,961,710	15,372,712	24,227,702
1,001,815	14,060,502	15,493,533
44,539	(50,096)	353,959
(97,820)	(353,616)	(466,580)
304,611	395,279	699,890
(393,195)	(102,357)	(839,924)
57,469	31,044	88,513
(84,396)	(79,746)	(164,142)

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**OHIO WATER DEVELOPMENT AUTHORITY
COMMUNITY ASSISTANCE FUND**

Schedule of Combining Balance Sheets

December 31, 2005

	Trusted Fund			
	1997 Community Assistance	2003 Community Assistance	2005 Community Assistance	Fund Total
<u>Assets</u>				
Noncurrent assets:				
Restricted bond covenant assets:				
Cash and cash equivalents	\$ 14,528,786	590,593	31,714	15,151,093
Investments	4,958,308	37,390,573	101	42,348,982
Loan receivables	127,815,912	19,677,993	-	147,493,905
Total restricted assets	147,303,006	57,659,159	31,815	204,993,980
Other receivables	133,960	-	-	133,960
Deferred bond issuance expense	59,122	569,903	401,733	1,030,758
Total assets	\$ 147,496,088	58,229,062	433,548	206,158,698
<u>Liabilities</u>				
Current liabilities payable from restricted assets:				
Accrued interest	21,350	189,705	135,281	346,336
Accounts payable	48,074	856,172	3,500	907,746
Water Development Revenue Bonds:				
Community Assistance Series 1997 - 2005	2,070,000	1,470,000	175,000	3,715,000
Total current liabilities payable from restricted assets	2,139,424	2,515,877	313,781	4,969,082
Noncurrent liabilities:				
Water Development Revenue Bonds:				
Community Assistance Series 1997 - 2005, net of discount and premium	2,260,024	52,063,191	36,142,866	90,466,081
Total noncurrent liabilities	2,260,024	52,063,191	36,142,866	90,466,081
Total liabilities	4,399,448	54,579,068	36,456,647	95,435,163
<u>Net Assets</u>				
Restricted for debt and grant covenants	143,096,640	3,649,994	(36,023,099)	110,723,535
Unrestricted	-	-	-	-
Total net assets	143,096,640	3,649,994	(36,023,099)	110,723,535
Total liabilities and net assets	\$ 147,496,088	58,229,062	433,548	206,158,698

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**OHIO WATER DEVELOPMENT AUTHORITY
COMMUNITY ASSISTANCE FUND**

Schedule of Combining Statements of Revenues,
Expenses and Changes in Fund Net Assets

Year ended December 31, 2005

	Trusteed Fund			
	1997 Community Assistance	2003 Community Assistance	2005 Community Assistance	Fund Total
Operating revenues:				
Loan income	\$ 2,475,287	169,319	-	2,644,606
Investment income	674,422	1,007,494	443	1,682,359
Total operating revenues	3,149,709	1,176,813	443	4,326,965
Operating expenses:				
Interest on bonds	1,356,048	2,186,127	728,048	4,270,223
Amortization of bond issuance expense	27,809	22,795	10,572	61,176
Other	60,915	-	-	60,915
Total operating expenses	1,444,772	2,208,922	738,620	4,392,314
Operating income (loss)	1,704,937	(1,032,109)	(738,177)	(65,349)
Transfers in (out), net	31,975,308	3,364,143	(35,284,922)	54,529
Change in net assets	33,680,245	2,332,034	(36,023,099)	(10,820)
Net assets at beginning of year	109,416,395	1,317,960	-	110,734,355
Net assets at end of year	\$ 143,096,640	3,649,994	(36,023,099)	110,723,535

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**OHIO WATER DEVELOPMENT AUTHORITY
COMMUNITY ASSISTANCE FUND**

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2005

	Trusteed Fund			
	1997 Community Assistance	2003 Community Assistance	2005 Community Assistance	Fund Total
Operating activities:				
Operating expenses	\$ (6,387)	-	-	(6,387)
Net cash (used) by operating activities	(6,387)	-	-	(6,387)
Investing activities:				
Proceeds from maturity or sale of investments	-	9,169,370	-	9,169,370
Purchase of investments	(653,922)	(806,170)	-	(1,460,092)
Interest received on investments, net of purchased interest	651,024	1,029,728	344	1,681,096
Interest received on projects	2,343,154	71,549	-	2,414,703
Principal collected on projects	5,812,713	91,094	-	5,903,807
Payment for construction of projects	(2,630,175)	(15,406,808)	-	(18,036,983)
Net cash provided (used) by investing activities	5,522,794	(5,851,237)	344	(328,099)
Noncapital financing activities:				
Interest paid on bonds, net of purchased interest	(1,288,475)	(2,293,762)	(588,869)	(4,171,106)
Proceeds of bonds	-	-	39,359,465	39,359,465
Bond issuance expense	-	-	(408,805)	(408,805)
Redemption of bonds	(1,975,000)	(1,100,000)	(39,164,290)	(42,239,290)
Transfers (to) from other funds	(4,143,483)	3,364,142	833,869	54,528
Net cash (used) by noncapital financing activities	(7,406,958)	(29,620)	31,370	(7,405,208)
Net increase (decrease) in cash and cash equivalents	(1,890,551)	(5,880,857)	31,714	(7,739,694)
Cash and cash equivalents at beginning of year	16,419,337	6,471,450	-	22,890,787
Cash and cash equivalents at end of year	\$ 14,528,786	590,593	31,714	15,151,093
Reconciliation of operating income (loss) to net cash (used) by operating activities:				
Operating income (loss)	1,704,937	(1,032,109)	(738,177)	(65,349)
Adjustments:				
Investment income	(674,422)	(1,007,494)	(443)	(1,682,359)
Operating expenses	54,528	-	-	54,528
Interest on bonds	1,356,048	2,186,127	728,048	4,270,223
Loan income	(2,475,287)	(169,319)	-	(2,644,606)
Amortization of bond issuance expense	27,809	22,795	10,572	61,176
Net cash (used) by operating activities	\$ (6,387)	-	-	(6,387)

OHIO WATER DEVELOPMENT AUTHORITY
FRESH WATER FUND

Schedule of Combining Balance Sheets

December 31, 2005

	Trusted Fund		
	Fresh Water	1995 Fresh Water	1998 Fresh Water
<u>Assets</u>			
Noncurrent assets:			
Restricted bond covenant assets:			
Cash and cash equivalents	\$ 18,987,961	16,388,460	24,123,279
Investments	1,970,434	25,669,464	4,612,523
Loan receivables	110,029,343	97,039,197	129,567,178
Total restricted assets	130,987,738	139,097,121	158,302,980
Other receivables	-	177,659	909,281
Deferred bond issuance expense	-	-	515,239
Total assets	\$ 130,987,738	139,274,780	159,727,500
<u>Liabilities</u>			
Current liabilities payable from restricted assets:			
Due to other funds	9,427	-	-
Accrued interest	-	-	240,144
Accounts payable	1,448	65,100	118,162
Water Development Revenue Bonds:			
Fresh Water Series 1998 - 2005	-	-	9,115,000
Total current liabilities payable from restricted assets	10,875	65,100	9,473,306
Noncurrent liabilities:			
Water Development Revenue Bonds:			
Fresh Water Series 1998 - 2005, net of premiums and deferred loss	-	-	47,140,885
Total noncurrent liabilities	-	-	47,140,885
Total liabilities	10,875	65,100	56,614,191
<u>Net Assets</u>			
Restricted for debt and grant covenants	130,976,863	139,209,680	103,113,309
Unrestricted	-	-	-
Total net assets	130,976,863	139,209,680	103,113,309
Total liabilities and net assets	\$ 130,987,738	139,274,780	159,727,500

Trusteed Fund

2001 Fresh Water	2002 Fresh Water	2004 Fresh Water	2005 Fresh Water	Fund Total
4,742,838	2,075,051	217,146	12,298	66,547,033
3,920,759	17,893,778	78,770,763	37	132,837,758
21,185,607	93,796,246	81,698,628	-	533,316,199
<u>29,849,204</u>	<u>113,765,075</u>	<u>160,686,537</u>	<u>12,335</u>	<u>732,700,990</u>
-	-	-	-	1,086,940
607,494	475,398	1,086,837	849,950	3,534,918
<u>30,456,698</u>	<u>114,240,473</u>	<u>161,773,374</u>	<u>862,285</u>	<u>737,322,848</u>
-	-	-	-	9,427
273,652	234,650	588,938	463,909	1,801,293
32,545	272,728	4,681,294	-	5,171,277
<u>695,000</u>	<u>3,500,000</u>	<u>4,055,000</u>	<u>-</u>	<u>17,365,000</u>
1,001,197	4,007,378	9,325,232	463,909	24,346,997
<u>60,504,727</u>	<u>57,991,281</u>	<u>144,746,996</u>	<u>111,491,792</u>	<u>421,875,681</u>
60,504,727	57,991,281	144,746,996	111,491,792	421,875,681
<u>61,505,924</u>	<u>61,998,659</u>	<u>154,072,228</u>	<u>111,955,701</u>	<u>446,222,678</u>
(31,049,226)	52,241,814	7,701,146	(111,093,416)	291,100,170
-	-	-	-	-
<u>(31,049,226)</u>	<u>52,241,814</u>	<u>7,701,146</u>	<u>(111,093,416)</u>	<u>291,100,170</u>
<u>30,456,698</u>	<u>114,240,473</u>	<u>161,773,374</u>	<u>862,285</u>	<u>737,322,848</u>

OHIO WATER DEVELOPMENT AUTHORITY
FRESH WATER FUND

Schedule of Combining Statements of Revenues,
Expenses and Changes in Fund Net Assets

Year ended December 31, 2005

	Trusteed Fund		
	Fresh Water	1995 Fresh Water	1998 Fresh Water
Operating revenues:			
Loan income	\$ 6,863,105	4,933,470	7,269,935
Investment income	675,123	1,286,158	1,018,470
Total operating revenues	<u>7,538,228</u>	<u>6,219,628</u>	<u>8,288,405</u>
Operating expenses:			
Interest on bonds	-	89,305	3,651,017
Amortization of bond issuance expense	-	82,549	110,689
Other	93,644	13,279	67,555
Total operating expenses	<u>93,644</u>	<u>185,133</u>	<u>3,829,261</u>
Operating income (loss)	<u>7,444,584</u>	<u>6,034,495</u>	<u>4,459,144</u>
Nonoperating other revenues (expenses)	-	1,260,742	-
Income (loss) before transfers	<u>7,444,584</u>	<u>7,295,237</u>	<u>4,459,144</u>
Transfers in (out), net	<u>(12,334,492)</u>	<u>(6,333,695)</u>	<u>56,454,497</u>
Change in net assets	<u>(4,889,908)</u>	<u>961,542</u>	<u>60,913,641</u>
Net assets at beginning of year	<u>135,866,771</u>	<u>138,248,138</u>	<u>42,199,668</u>
Net assets at end of year	<u>\$ 130,976,863</u>	<u>139,209,680</u>	<u>103,113,309</u>

Trusted Fund

2001 Fresh Water	2002 Fresh Water	2004 Fresh Water	2005 Fresh Water	Fund Total
1,151,312	4,259,307	1,696,348	-	26,173,477
<u>225,082</u>	<u>614,543</u>	<u>3,154,650</u>	<u>13,796</u>	<u>6,987,822</u>
1,376,394	4,873,850	4,850,998	13,796	33,161,299
3,394,720	3,070,188	6,806,774	3,822,350	20,834,354
51,128	33,828	37,477	42,498	358,169
<u>34,876</u>	<u>25,508</u>	<u>32,038</u>	<u>11,435</u>	<u>278,335</u>
3,480,724	3,129,524	6,876,289	3,876,283	21,470,858
<u>(2,104,330)</u>	<u>1,744,326</u>	<u>(2,025,291)</u>	<u>(3,862,487)</u>	<u>11,690,441</u>
-	-	-	-	1,260,742
<u>(2,104,330)</u>	<u>1,744,326</u>	<u>(2,025,291)</u>	<u>(3,862,487)</u>	<u>12,951,183</u>
<u>15,376,837</u>	<u>40,582,400</u>	<u>8,518,485</u>	<u>(107,230,929)</u>	<u>(4,966,897)</u>
13,272,507	42,326,726	6,493,194	(111,093,416)	7,984,286
<u>(44,321,733)</u>	<u>9,915,088</u>	<u>1,207,952</u>	<u>-</u>	<u>283,115,884</u>
<u>(31,049,226)</u>	<u>52,241,814</u>	<u>7,701,146</u>	<u>(111,093,416)</u>	<u>291,100,170</u>

OHIO WATER DEVELOPMENT AUTHORITY
FRESH WATER FUND

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2005

	Trusted Fund		
	Fresh Water	1995 Fresh Water	1998 Fresh Water
Operating activities:			
Operating expenses	\$ (8,613)	(13,279)	(19,294)
Net cash (used) by operating activities	(8,613)	(13,279)	(19,294)
Investing activities:			
Proceeds from maturity or sale of investments	12,148,247	41,957,901	11,127,476
Purchase of investments	(12,082,782)	(37,666,413)	(11,140,419)
Interest received on investments, net of purchased interest	648,966	1,259,307	971,545
Interest received on projects	7,385,978	4,570,585	6,733,930
Principal collected on projects	5,758,672	4,604,162	10,321,715
Payment for construction of projects	(444,664)	(4,451,593)	(2,503,651)
Net cash provided (used) by investing activities	13,414,417	10,273,949	15,510,596
Noncapital financing activities:			
Interest paid on bonds, net of purchased interest	-	(101,790)	(3,101,325)
Proceeds of bonds	-	-	-
Bond issuance expense	-	-	-
Redemption of bonds	-	(2,980,000)	(6,055,000)
Transfers (to) from other funds	(12,334,492)	(5,072,953)	(2,408,878)
Net cash provided (used) by noncapital financing activities	(12,334,492)	(8,154,743)	(11,565,203)
Net increase (decrease) in cash and cash equivalents	1,071,312	2,105,927	3,926,099
Cash and cash equivalents at beginning of year	17,916,649	14,282,533	20,197,180
Cash and cash equivalents at end of year	\$ 18,987,961	16,388,460	24,123,279
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	7,444,584	6,034,495	4,459,144
Adjustments:			
Investment income	(675,123)	(1,286,158)	(1,018,470)
Operating expenses	85,031	-	48,261
Interest on bonds	-	89,305	3,651,017
Loan income	(6,863,105)	(4,933,470)	(7,269,935)
Amortization of bond issuance expense	-	82,549	110,689
Net cash (used) by operating activities	\$ (8,613)	(13,279)	(19,294)

Trusteed Fund

2001 Fresh Water	2002 Fresh Water	2004 Fresh Water	2005 Fresh Water	Fund Total
(12,807)	(18,680)	(32,059)	(11,435)	(116,167)
<u>(12,807)</u>	<u>(18,680)</u>	<u>(32,059)</u>	<u>(11,435)</u>	<u>(116,167)</u>
1,896,467	814,712,668	50,218,683	-	932,061,442
(1,896,467)	(808,878,668)	(3,607,403)	-	(875,272,152)
277,093	665,309	3,266,081	13,757	7,102,058
1,150,471	2,945,318	362,219	-	23,148,501
743,813	6,145,382	664,788	-	28,238,532
(693,234)	(8,855,163)	(60,525,751)	-	(77,474,056)
<u>1,478,143</u>	<u>6,734,846</u>	<u>(9,621,383)</u>	<u>13,757</u>	<u>37,804,325</u>
(3,303,825)	(2,891,868)	(7,102,057)	(3,658,333)	(20,159,198)
-	-	-	119,522,341	119,522,341
-	-	-	(892,447)	(892,447)
(665,000)	(3,295,000)	(2,130,000)	(120,759,330)	(135,884,330)
<u>2,069,661</u>	<u>(275,720)</u>	<u>8,518,486</u>	<u>5,797,745</u>	<u>(3,706,151)</u>
<u>(1,899,164)</u>	<u>(6,462,588)</u>	<u>(713,571)</u>	<u>9,976</u>	<u>(41,119,785)</u>
(433,828)	253,578	(10,367,013)	12,298	(3,431,627)
5,176,666	1,821,473	10,584,159	-	69,978,660
<u>4,742,838</u>	<u>2,075,051</u>	<u>217,146</u>	<u>12,298</u>	<u>66,547,033</u>
(2,104,330)	1,744,326	(2,025,291)	(3,862,487)	11,690,441
(225,082)	(614,543)	(3,154,650)	(13,796)	(6,987,822)
22,069	6,828	(21)	-	162,168
3,394,720	3,070,188	6,806,774	3,822,350	20,834,354
(1,151,312)	(4,259,307)	(1,696,348)	-	(26,173,477)
51,128	33,828	37,477	42,498	358,169
<u>(12,807)</u>	<u>(18,680)</u>	<u>(32,059)</u>	<u>(11,435)</u>	<u>(116,167)</u>

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OHIO WATER DEVELOPMENT AUTHORITY
REFUNDING FUND

Schedule of Combining Balance Sheets

December 31, 2005

	Trusteed Fund		
	1985 Refunding	1992 Clean Water	Fund Total
<u>Assets</u>			
Noncurrent assets:			
Restricted bond covenant assets:			
Cash and cash equivalents	\$ -	1,247,380	1,247,380
Investments	-	1,662	1,662
Loan receivables	13,919,581	-	13,919,581
Total assets	13,919,581	1,249,042	15,168,623
 <u>Net Assets</u>			
Restricted for debt and grant covenants	13,919,581	1,249,042	15,168,623
Unrestricted	-	-	-
Total net assets	13,919,581	1,249,042	15,168,623
Total liabilities and net assets	\$ 13,919,581	1,249,042	15,168,623

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OHIO WATER DEVELOPMENT AUTHORITY
REFUNDING FUND

Schedule of Combining Statements of Revenues,
Expenses and Changes in Fund Net Assets

Year ended December 31, 2005

	Trusteed Fund		
	1985 Refunding	1992 Clean Water	Fund Total
Operating revenues:			
Loan income	\$ 914,779	-	914,779
Investment income	-	107,562	107,562
Total operating revenues	914,779	107,562	1,022,341
Operating expenses:			
Other	8,099	3,754	11,853
Total operating expenses	8,099	3,754	11,853
Operating income	906,680	103,808	1,010,488
Transfers in (out), net	(4,622,201)	(567,450)	(5,189,651)
Change in net assets	(3,715,521)	(463,642)	(4,179,163)
Net assets at beginning of year	17,635,102	1,712,684	19,347,786
Net assets at end of year	\$ 13,919,581	1,249,042	15,168,623

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OHIO WATER DEVELOPMENT AUTHORITY
REFUNDING FUND

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2005

	Trusteed Fund		
	1985 Refunding	1992 Clean Water	Fund Total
Operating activities:			
Operating expenses	\$ -	(3,754)	(3,754)
Net cash (used) by operating activities	-	(3,754)	(3,754)
Investing activities:			
Interest received on investments, net of purchased interest	14	107,789	107,803
Interest received on projects	-	1,136,821	1,136,821
Principal collected on projects	-	3,795,002	3,795,002
Net cash provided by investing activities	14	5,039,612	5,039,626
Noncapital financing activities:			
Transfers (to) from other funds	(14)	(5,499,271)	(5,499,285)
Net cash (used) by noncapital financing activities	(14)	(5,499,271)	(5,499,285)
Net (decrease) in cash and cash equivalents	-	(463,413)	(463,413)
Cash and cash equivalents at beginning of year	-	1,710,793	1,710,793
Cash and cash equivalents at end of year	\$ -	1,247,380	1,247,380
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income	906,680	103,808	1,010,488
Adjustments:			
Investment income	-	(107,562)	(107,562)
Operating expenses	8,099	-	8,099
Loan income	(914,779)	-	(914,779)
Net cash (used) by operating activities	\$ -	(3,754)	(3,754)

OHIO WATER DEVELOPMENT AUTHORITY
SAFE WATER REFUNDING FUND

Schedule of Combining Balance Sheets

December 31, 2005

	Trusteed Fund	
	Safe Water	1992 Safe Water
<u>Assets</u>		
Noncurrent assets:		
Restricted bond covenant assets:		
Cash and cash equivalents	\$ -	3,121,522
Investments	1	3,273,182
Loan receivables	61,400,997	-
Total restricted assets	61,400,998	6,394,704
Other receivables	-	-
Deferred bond issuance expense	163,528	-
Total assets	\$ 61,564,526	6,394,704
 <u>Liabilities</u>		
Current liabilities payable from restricted assets:		
Accrued interest	-	-
Water Development Revenue Refunding Bonds:		
1997 Safe Water Series	17,335,000	-
Total current liabilities payable from restricted assets	17,335,000	-
Noncurrent liabilities:		
Water Development Revenue Refunding Bonds:		
1997 Safe Water Series, net of premium and deferred loss	13,797,759	-
Total noncurrent liabilities	13,797,759	-
Total liabilities	31,132,759	-
 <u>Net Assets</u>		
Restricted for debt and grant covenants	30,431,767	6,394,704
Unrestricted	-	-
Total net assets	30,431,767	6,394,704
Total liabilities and net assets	\$ 61,564,526	6,394,704

Trusted Fund

<u>1997 Safe Water</u>	<u>Fund Total</u>
8,292,071	11,413,593
9,851,621	13,124,804
-	61,400,997
<u>18,143,692</u>	<u>85,939,394</u>
249,305	249,305
-	163,528
<u>18,392,997</u>	<u>86,352,227</u>
154,284	154,284
-	<u>17,335,000</u>
154,284	17,489,284
-	<u>13,797,759</u>
-	13,797,759
154,284	<u>31,287,043</u>
18,238,713	55,065,184
-	-
<u>18,238,713</u>	<u>55,065,184</u>
<u>18,392,997</u>	<u>86,352,227</u>

OHIO WATER DEVELOPMENT AUTHORITY
SAFE WATER REFUNDING FUND

Schedule of Combining Statements of Revenues,
Expenses and Changes in Fund Net Assets

Year ended December 31, 2005

	Trusteed Fund		
	Safe Water	1987 Safe Water	1992 Safe Water
Operating revenues:			
Loan income	\$ 7,703,625	-	-
Investment income	-	6,360	231,537
Total operating revenues	<u>7,703,625</u>	<u>6,360</u>	<u>231,537</u>
Operating expenses:			
Interest on bonds	288,152	-	172,629
Amortization of bond issuance expense	186,348	-	-
Other	3,103,276	-	1,698
Total operating expenses	<u>3,577,776</u>	<u>-</u>	<u>174,327</u>
Operating income (loss)	<u>4,125,849</u>	<u>6,360</u>	<u>57,210</u>
Nonoperating other revenues (expenses)	-	-	-
Income (loss) before transfers	<u>4,125,849</u>	<u>6,360</u>	<u>57,210</u>
Transfers in (out), net	<u>(3,627,366)</u>	<u>(289,505)</u>	<u>(1,964,112)</u>
Change in net assets	498,483	(283,145)	(1,906,902)
Net assets at beginning of year	29,933,284	283,145	8,301,606
Net assets at end of year	<u>\$ 30,431,767</u>	<u>-</u>	<u>6,394,704</u>

Trusted Fund

<u>1997</u> <u>Safe Water</u>	<u>Fund</u> <u>Total</u>
-	7,703,625
424,101	661,998
<u>424,101</u>	<u>8,365,623</u>
2,319,983	2,780,764
-	186,348
7,803	3,112,777
<u>2,327,786</u>	<u>6,079,889</u>
<u>(1,903,685)</u>	<u>2,285,734</u>
167,692	167,692
<u>(1,735,993)</u>	<u>2,453,426</u>
4,144,980	(1,736,003)
<u>2,408,987</u>	<u>717,423</u>
<u>15,829,726</u>	<u>54,347,761</u>
<u>18,238,713</u>	<u>55,065,184</u>

OHIO WATER DEVELOPMENT AUTHORITY
SAFE WATER REFUNDING FUND

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2005

	Trusteed Fund		
	Safe Water	1987 Safe Water	1992 Safe Water
Operating activities:			
Operating expenses	\$ -	-	(1,698)
Net cash (used) by operating activities	-	-	(1,698)
Investing activities:			
Purchase of investments	-	-	(3,260,675)
Interest received on investments, net of purchased interest	-	6,736	228,483
Interest received on projects	-	-	1,167,299
Principal collected on projects	-	-	3,610,678
Net cash provided by investing activities	-	6,736	1,745,785
Noncapital financing activities:			
Redemption of bonds	-	-	(2,118,076)
Interest paid on bonds, net of purchased interest	-	-	(2,431,924)
Transfers (to) from other funds	-	(289,505)	(2,364,719)
Net cash (used) by noncapital financing activities	-	(289,505)	(6,914,719)
Net increase in cash and cash equivalents	-	(282,769)	(5,170,632)
Cash and cash equivalents at beginning of year	-	282,769	8,292,154
Cash and cash equivalents at end of year	\$ -	-	3,121,522
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	4,125,849	6,360	57,210
Adjustments:			
Investment income	-	(6,360)	(231,537)
Operating expense	3,103,276	-	-
Interest on bonds	288,152	-	172,629
Loan income	(7,703,625)	-	-
Amortization of bond issuance expense	186,348	-	-
Net cash (used) by operating activities	\$ -	-	(1,698)

Trusted Fund

1997 Safe Water	Fund Total
(7,803)	(9,501)
(7,803)	(9,501)
(9,838,837)	(13,099,512)
426,601	661,820
4,069,384	5,236,683
12,587,374	16,198,052
7,244,522	8,997,043
(13,430,000)	(15,548,076)
(2,376,050)	(4,807,974)
918,222	(1,736,002)
(14,887,828)	(22,092,052)
(7,651,109)	(13,104,510)
15,943,180	24,518,103
8,292,071	11,413,593
(1,903,685)	2,285,734
(424,101)	(661,998)
-	3,103,276
2,319,983	2,780,764
-	(7,703,625)
-	186,348
(7,803)	(9,501)
(7,803)	(9,501)

**OHIO WATER DEVELOPMENT AUTHORITY
PURE WATER REFUNDING FUND**

Schedule of Combining Balance Sheets

December 31, 2005

	Trusteed Fund		
	1992 Pure Water Refunding	2002A Pure Water Refunding	2002B Pure Water Refunding
<u>Assets</u>			
Noncurrent assets:			
Restricted bond covenant assets:			
Cash and cash equivalents	\$ 40,784,473	42,293	7,884
Investments	35,423,161	110	20
Loan receivables	212,859,604	-	-
Total restricted assets	289,067,238	42,403	7,904
Deferred bond issuance expense	1,730,422	-	-
Due from other funds	9,427	-	-
Total assets	\$ 290,807,087	42,403	7,904
 <u>Liabilities</u>			
Current liabilities payable from restricted assets:			
Accrued interest	117,619	147,475	409,383
Accounts payable	200,000	-	-
Water Development Revenue Refunding Bonds:			
Pure Water Refunding Series 1992 & 2002A	37,375,000	-	-
Total current liabilities payable from restricted assets	37,692,619	147,475	409,383
Noncurrent liabilities:			
Water Development Revenue Refunding Bonds:			
Pure Water Refunding Series 1992 & 2002A&B, net of discount, premium and deferred losses	127,932,147	-	-
Total noncurrent liabilities	127,932,147	-	-
Total liabilities	165,624,766	147,475	409,383
 <u>Net Assets</u>			
Restricted for debt and grant covenants	116,132,674	(105,072)	(401,479)
Unrestricted	9,049,647	-	-
Total net assets	125,182,321	(105,072)	(401,479)
Total liabilities and net assets	\$ 290,807,087	42,403	7,904

Trusted Fund

Fund
Total

40,834,650
35,423,291
212,859,604
289,117,545

1,730,422
9,427
290,857,394

674,477
200,000

37,375,000

38,249,477

127,932,147
127,932,147

166,181,624

115,626,123
9,049,647
124,675,770
290,857,394

OHIO WATER DEVELOPMENT AUTHORITY
PURE WATER REFUNDING FUND

Schedule of Combining Statements of Revenues,
Expenses and Changes in Fund Net Assets

Year ended December 31, 2005

	Trusteed Fund		
	1992 Pure Water Refunding	2002A Pure Water Refunding	2002B Pure Water Refunding
Operating revenues:			
Loan income	\$ 17,657,991	-	-
Investment income	1,917,349	74,031	13,246
Total operating revenues	19,575,340	74,031	13,246
Operating expenses:			
Interest on bonds	3,102,275	2,541,721	4,913,998
Amortization of bond issuance expense	535,536	-	-
Other	2,866,573	65	34
Total operating expenses	6,504,384	2,541,786	4,914,032
Operating income (loss)	13,070,956	(2,467,755)	(4,900,786)
Transfers in, net	7,141,584	2,585,035	4,905,032
Change in net assets	20,212,540	117,280	4,246
Net assets at beginning of year	104,969,781	(222,352)	(405,725)
Net assets at end of year	\$ 125,182,321	(105,072)	(401,479)

Trusted Fund

Fund
Total

17,657,991
2,004,626
19,662,617

10,557,994
535,536
2,866,672
13,960,202

5,702,415

14,631,651
20,334,066

104,341,704
124,675,770

OHIO WATER DEVELOPMENT AUTHORITY
PURE WATER REFUNDING FUND

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2005

	Trusteed Fund		
	1992 Pure Water Refunding	2002A Pure Water Refunding	2002B Pure Water Refunding
Operating activities:			
Operating expenses	\$ (320,804)	(65)	(34)
Net cash (used) by operating activities	(320,804)	(65)	(34)
Investing activities:			
Proceeds from maturity or sale of investments	209,167,583	51,887,400	9,771,100
Purchase of investments	(192,717,767)	(51,887,400)	(9,771,100)
Interest received on investments, net of purchased interest	2,444,881	73,940	13,231
Interest received on projects	16,062,458	-	-
Principal collected on projects	26,901,584	-	-
Payment for construction of projects	(491,073)	-	-
Net cash provided by investing activities	61,367,666	73,940	13,231
Noncapital financing activities:			
Interest paid on bonds, net of purchased interest	(2,227,375)	(2,637,075)	(4,914,116)
Redemption of bonds	(15,810,000)	(23,345,000)	-
Other	(322,600)	-	-
Transfers (to) from other funds	(16,203,416)	25,930,035	4,905,031
Net cash (used) by noncapital financing activities	(34,563,391)	(52,040)	(9,085)
Net increase (decrease) in cash and cash equivalents	26,483,471	21,835	4,112
Cash and cash equivalents at beginning of year	14,301,002	20,458	3,772
Cash and cash equivalents at end of year	\$ 40,784,473	42,293	7,884
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	13,070,956	(2,467,755)	(4,900,786)
Adjustments:			
Investment income	(1,917,349)	(74,031)	(13,246)
Operating expense	2,545,769	-	-
Interest on bonds	3,102,275	2,541,721	4,913,998
Loan income	(17,657,991)	-	-
Amortization of bond issuance expense	535,536	-	-
Net cash (used) by operating activities	\$ (320,804)	(65)	(34)

Trusted Fund

<u>Fund</u>
<u>Total</u>
(320,903)
<u>(320,903)</u>
270,826,083
(254,376,267)
2,532,052
16,062,458
26,901,584
<u>(491,073)</u>
61,454,837
(9,778,566)
(39,155,000)
(322,600)
14,631,650
<u>(34,624,516)</u>
26,509,418
<u>14,325,232</u>
<u><u>40,834,650</u></u>

5,702,415
(2,004,626)
2,545,769
10,557,994
(17,657,991)
535,536
<u>(320,903)</u>
<u><u>(320,903)</u></u>

**OHIO WATER DEVELOPMENT AUTHORITY
WATER POLLUTION CONTROL LOAN FUND**

Schedule of Combining Balance Sheets

December 31, 2005

	Trusteed Fund		
	Water Pollution Control Loan	1991 State Match Bond Proceeds	1993 State Match Bond Proceeds
<u>Assets</u>			
Noncurrent assets:			
Restricted bond and note covenant assets:			
Cash and cash equivalents	\$ 29,012,679	746,792	805,140
Investments	252,913,302	2,317	1,994,059
Loan receivables	1,956,384,912	-	-
Total restricted assets	2,238,310,893	749,109	2,799,199
Other receivables	-	-	-
Deferred bond issuance and other expense	22,858,890	-	-
Due from other funds	524	-	-
Total assets	\$ 2,261,170,307	749,109	2,799,199
 <u>Liabilities</u>			
Current liabilities payable from restricted assets:			
Due to other funds	524	-	-
Accrued interest	-	-	-
Accounts payable	47,745,004	-	-
Water Pollution Control Loan Fund Revenue Bonds:			
State Match Series 1995 - 2005	-	-	-
Water Quality Series 1997 - 2005	-	-	-
Total current liabilities payable from restricted assets	47,745,528	-	-
Noncurrent liabilities:			
Water Pollution Control Loan Fund Revenue Bonds:			
State Match Series 1995 - 2005, net of premiums and deferred loss	-	-	-
Water Quality Series 1997 - 2005, net of discount, premiums and deferred losses	-	-	-
Total noncurrent liabilities	-	-	-
Total liabilities	47,745,528	-	-
 <u>Net Assets</u>			
Restricted for debt and grant covenants	2,213,424,779	749,109	2,799,199
Unrestricted	-	-	-
Total net assets	2,213,424,779	749,109	2,799,199
Total liabilities and net assets	\$ 2,261,170,307	749,109	2,799,199

Trusteed Fund

1995 State Match Bond Proceeds	2000 State Match Bond Proceeds	2001 State Match Bond Proceeds	2005 State Match Bond Proceeds	1995 Water Quality Bond Proceeds	1997 Water Quality Bond Proceeds	2001 Water Quality Note Proceeds
399,499	4,524,548	171,139	27,054	2,845,937	15,907,428	7,964,488
5,235,023	3,503,182	2,987,699	86	9,745	10,006,922	27,281
-	-	-	-	-	-	-
<u>5,634,522</u>	<u>8,027,730</u>	<u>3,158,838</u>	<u>27,140</u>	<u>2,855,682</u>	<u>25,914,350</u>	<u>7,991,769</u>
-	162,699	-	-	214,813	2,843,687	-
90,372	349,285	294,993	150,953	-	359,749	-
-	-	-	-	-	-	-
<u>5,724,894</u>	<u>8,539,714</u>	<u>3,453,831</u>	<u>178,093</u>	<u>3,070,495</u>	<u>29,117,786</u>	<u>7,991,769</u>
-	-	-	-	-	-	-
22,881	138,288	177,171	73,225	-	191,295	-
23,806	-	-	-	-	-	95,758
5,276,183	6,275,000	4,545,000	50,000	-	-	-
-	-	-	-	-	7,850,000	-
<u>5,322,870</u>	<u>6,413,288</u>	<u>4,722,171</u>	<u>123,225</u>	<u>-</u>	<u>8,041,295</u>	<u>95,758</u>
-	24,732,559	37,777,099	18,698,886	-	-	-
-	-	-	-	-	36,986,428	-
-	<u>24,732,559</u>	<u>37,777,099</u>	<u>18,698,886</u>	<u>-</u>	<u>36,986,428</u>	<u>-</u>
<u>5,322,870</u>	<u>31,145,847</u>	<u>42,499,270</u>	<u>18,822,111</u>	<u>-</u>	<u>45,027,723</u>	<u>95,758</u>
402,024	(22,606,133)	(39,045,439)	(18,644,018)	3,070,495	(15,909,937)	7,896,011
-	-	-	-	-	-	-
<u>402,024</u>	<u>(22,606,133)</u>	<u>(39,045,439)</u>	<u>(18,644,018)</u>	<u>3,070,495</u>	<u>(15,909,937)</u>	<u>7,896,011</u>
<u>5,724,894</u>	<u>8,539,714</u>	<u>3,453,831</u>	<u>178,093</u>	<u>3,070,495</u>	<u>29,117,786</u>	<u>7,991,769</u>

(Continued)

OHIO WATER DEVELOPMENT AUTHORITY
WATER POLLUTION CONTROL LOAN FUND

Schedule of Combining Balance Sheets, Continued

December 31, 2005

	Trusted Fund		
	2002 Water Quality Bond Proceeds	2003 Water Quality Bond Proceeds	2004 Water Quality Bond Proceeds
<u>Assets</u>			
Noncurrent assets:			
Restricted bond and note covenant assets:			
Cash and cash equivalents	\$ 36,974,974	220,870	852,991
Investments	6,400,987	11,024,977	321,324,730
Loan receivables	-	-	-
Total restricted assets	43,375,961	11,245,847	322,177,721
Other receivables	-	-	-
Deferred bond issuance and other expense	199,688	958,092	3,193,602
Due from other funds	-	-	-
Total assets	\$ 43,575,649	12,203,939	325,371,323
<u>Liabilities</u>			
Current liabilities payable from restricted assets:			
Due to other funds	-	-	-
Accrued interest	120,362	631,793	2,015,668
Accounts payable	-	-	-
Water Pollution Control Loan Fund Revenue Bonds:			
State Match Series 1995 - 2005	-	-	-
Water Quality Series 1997 - 2005	995,000	11,660,000	12,955,000
Total current liabilities payable from restricted assets	1,115,362	12,291,793	14,970,668
Noncurrent liabilities:			
Water Pollution Control Loan Fund Revenue Bonds:			
State Match Series 1995 - 2005, net of premiums and deferred loss	-	-	-
Water Quality Series 1997 - 2005, net of discount, premiums and deferred losses	30,192,693	143,806,242	523,304,447
Total noncurrent liabilities	30,192,693	143,806,242	523,304,447
Total liabilities	31,308,055	156,098,035	538,275,115
<u>Net Assets</u>			
Restricted for debt and grant covenants	12,267,594	(143,894,096)	(212,903,792)
Unrestricted	-	-	-
Total net assets	12,267,594	(143,894,096)	(212,903,792)
Total liabilities and net assets	\$ 43,575,649	12,203,939	325,371,323

Trusteed Fund

2004	2005		2005
Water Quality Rev Ref Bond Proceeds	Water Quality Bond Proceeds	Water Quality Rev Ref Bond Proceeds	Fund Total
45,801	50,918,834	145,448	151,563,622
145	412,376,150	460	1,027,807,065
-	-	-	1,956,384,912
<u>45,946</u>	<u>463,294,984</u>	<u>145,908</u>	<u>3,135,755,599</u>
-	-	-	3,221,199
420,030	3,268,286	1,712,783	33,856,723
-	-	-	524
<u>465,976</u>	<u>466,563,270</u>	<u>1,858,691</u>	<u>3,172,834,045</u>
-	-	-	524
265,229	1,462,962	950,466	6,049,340
5,000	-	-	47,869,568
-	-	-	16,146,183
<u>-</u>	<u>-</u>	<u>-</u>	<u>33,460,000</u>
270,229	1,462,962	950,466	103,525,615
-	-	-	81,208,544
<u>65,966,094</u>	<u>469,622,718</u>	<u>229,415,982</u>	<u>1,499,294,604</u>
65,966,094	469,622,718	229,415,982	1,580,503,148
<u>66,236,323</u>	<u>471,085,680</u>	<u>230,366,448</u>	<u>1,684,028,763</u>
(65,770,347)	(4,522,410)	(228,507,757)	1,488,805,282
-	-	-	-
<u>(65,770,347)</u>	<u>(4,522,410)</u>	<u>(228,507,757)</u>	<u>1,488,805,282</u>
<u>465,976</u>	<u>466,563,270</u>	<u>1,858,691</u>	<u>3,172,834,045</u>

OHIO WATER DEVELOPMENT AUTHORITY
WATER POLLUTION CONTROL LOAN FUND

Schedule of Combining Statements of Revenues,
Expenses and Changes in Fund Net Assets

Year ended December 31, 2005

	Trusteed Fund		
	Water Pollution Control Loan	1991 State Match Bond Proceeds	1993 State Match Bond Proceeds
Operating revenues:			
Loan income	\$ 63,621,341	-	-
Investment income	7,606,808	20,931	66,246
Total operating revenues	<u>71,228,149</u>	<u>20,931</u>	<u>66,246</u>
Operating expenses:			
Interest on bonds	-	-	-
Amortization of bond issuance expense	-	-	-
Other	4,092,101	-	-
Total operating expenses	<u>4,092,101</u>	<u>-</u>	<u>-</u>
Operating income (loss)	<u>67,136,048</u>	<u>20,931</u>	<u>66,246</u>
Nonoperating other revenues (expenses)	-	-	-
Income (loss) before contributions and transfers	<u>67,136,048</u>	<u>20,931</u>	<u>66,246</u>
Contribution from U.S. EPA	77,321,215	-	-
Transfers in (out), net	133,075,172	(325,295)	(774,414)
Change in net assets	<u>277,532,435</u>	<u>(304,364)</u>	<u>(708,168)</u>
Net assets at beginning of year	<u>1,935,892,344</u>	<u>1,053,473</u>	<u>3,507,367</u>
Net assets at end of year	<u>\$ 2,213,424,779</u>	<u>749,109</u>	<u>2,799,199</u>

Trusteed Fund

1995 State Match Bond Proceeds	2000 State Match Bond Proceeds	2001 State Match Bond Proceeds	2005 State Match Bond Proceeds	1995 Water Quality Bond Proceeds	1997 Water Quality Bond Proceeds	2001 Water Quality Note Proceeds
-	-	-	-	-	-	-
278,234	309,078	125,691	5,772	457,567	1,187,544	325,939
<u>278,234</u>	<u>309,078</u>	<u>125,691</u>	<u>5,772</u>	<u>457,567</u>	<u>1,187,544</u>	<u>325,939</u>
577,643	2,075,779	2,118,041	471,251	97,226	3,335,044	-
84,730	40,530	26,818	4,717	39,468	79,944	-
164	8,296	-	2,867	15,016	24,739	3,830
<u>662,537</u>	<u>2,124,605</u>	<u>2,144,859</u>	<u>478,835</u>	<u>151,710</u>	<u>3,439,727</u>	<u>3,830</u>
<u>(384,303)</u>	<u>(1,815,527)</u>	<u>(2,019,168)</u>	<u>(473,063)</u>	<u>305,857</u>	<u>(2,252,183)</u>	<u>322,109</u>
3,160	188,478	-	-	1,000	16,184	-
<u>(381,143)</u>	<u>(1,627,049)</u>	<u>(2,019,168)</u>	<u>(473,063)</u>	<u>306,857</u>	<u>(2,235,999)</u>	<u>322,109</u>
-	-	-	-	-	-	-
10,749,649	21,195,197	7,187,191	(18,170,955)	(7,622,091)	72,887,314	(7,967,763)
<u>10,368,506</u>	<u>19,568,148</u>	<u>5,168,023</u>	<u>(18,644,018)</u>	<u>(7,315,234)</u>	<u>70,651,315</u>	<u>(7,645,654)</u>
<u>(9,966,482)</u>	<u>(42,174,281)</u>	<u>(44,213,462)</u>	<u>-</u>	<u>10,385,729</u>	<u>(86,561,252)</u>	<u>15,541,665</u>
<u>402,024</u>	<u>(22,606,133)</u>	<u>(39,045,439)</u>	<u>(18,644,018)</u>	<u>3,070,495</u>	<u>(15,909,937)</u>	<u>7,896,011</u>

(Continued)

OHIO WATER DEVELOPMENT AUTHORITY
WATER POLLUTION CONTROL LOAN FUND

Schedule of Combining Statements of Revenues,
Expenses and Changes in Fund Net Assets, Continued

Year ended December 31, 2005

	Trusteed Fund		
	2002 Water Quality Bond Proceeds	2003 Water Quality Bond Proceeds	2004 Water Quality Bond Proceeds
Operating revenues:			
Loan income	\$ -	-	-
Investment income	1,629,355	293,309	9,810,969
Total operating revenues	<u>1,629,355</u>	<u>293,309</u>	<u>9,810,969</u>
Operating expenses:			
Interest on bonds	3,713,643	6,481,860	20,253,013
Amortization of bond issuance expense	22,187	95,809	163,775
Other	16,353	-	20,501
Total operating expenses	<u>3,752,183</u>	<u>6,577,669</u>	<u>20,437,289</u>
Operating income (loss)	<u>(2,122,828)</u>	<u>(6,284,360)</u>	<u>(10,626,320)</u>
Nonoperating other revenues (expenses)	-	-	-
Income (loss) before contributions and transfers	<u>(2,122,828)</u>	<u>(6,284,360)</u>	<u>(10,626,320)</u>
Contribution from U.S. EPA	-	-	-
Transfers in (out), net	148,209,149	24,194,238	(161,500,021)
Change in net assets	<u>146,086,321</u>	<u>17,909,878</u>	<u>(172,126,341)</u>
Net assets at beginning of year	<u>(133,818,727)</u>	<u>(161,803,974)</u>	<u>(40,777,451)</u>
Net assets at end of year	<u>\$ 12,267,594</u>	<u>(143,894,096)</u>	<u>(212,903,792)</u>

Trusteed Fund

2004	2005		Fund
Water Quality Rev Ref Bond Proceeds	Water Quality Bond Proceeds	Water Quality Rev Ref Bond Proceeds	Total
-	-	-	63,621,341
37,663	6,309,311	133,387	28,597,804
<u>37,663</u>	<u>6,309,311</u>	<u>133,387</u>	<u>92,219,145</u>
2,835,565	7,051,688	7,942,093	56,952,846
46,670	81,707	95,155	781,510
21,325	39,683	416	4,245,291
<u>2,903,560</u>	<u>7,173,078</u>	<u>8,037,664</u>	<u>61,979,647</u>
<u>(2,865,897)</u>	<u>(863,767)</u>	<u>(7,904,277)</u>	<u>30,239,498</u>
-	-	-	208,822
<u>(2,865,897)</u>	<u>(863,767)</u>	<u>(7,904,277)</u>	<u>30,448,320</u>
-	-	-	77,321,215
3,167,404	(3,658,643)	(220,603,480)	42,652
<u>301,507</u>	<u>(4,522,410)</u>	<u>(228,507,757)</u>	<u>107,812,187</u>
<u>(66,071,854)</u>	<u>-</u>	<u>-</u>	<u>1,380,993,095</u>
<u>(65,770,347)</u>	<u>(4,522,410)</u>	<u>(228,507,757)</u>	<u>1,488,805,282</u>

OHIO WATER DEVELOPMENT AUTHORITY
WATER POLLUTION CONTROL LOAN FUND

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2005

	Trusteed Fund		
	Water Pollution Control Loan	1991 State Match Bond Proceeds	1993 State Match Bond Proceeds
Operating activities:			
Operating expenses	\$ (3,947,888)	-	-
Net cash (used) by operating activities	(3,947,888)	-	-
Investing activities:			
Proceeds from maturity or sale of investments	9,925,038,485	-	2,000,000
Purchase of investments	(9,953,559,094)	-	(2,000,000)
Interest received on investments, net of purchased interest	6,587,991	20,041	94,209
Interest received on projects	57,102,324	-	-
Principal collected on projects	99,508,529	-	-
Payment for construction of projects	(336,624,818)	-	-
Net cash provided (used) by investing activities	(201,946,583)	20,041	94,209
Noncapital financing activities:			
Interest paid on bonds, net of purchased interest	-	-	-
Proceeds of bonds	-	-	-
Bond issuance expense	-	-	-
Redemption of bonds	-	-	-
Contribution from U.S. EPA	77,321,215	-	-
Other	-	-	-
Transfers (to) from other funds	133,075,171	(325,294)	(774,414)
Net cash provided (used) by noncapital financing activities	210,396,386	(325,294)	(774,414)
Net increase (decrease) in cash and cash equivalents	4,501,915	(305,253)	(680,205)
Cash and cash equivalents at beginning of year	24,510,764	1,052,045	1,485,345
Cash and cash equivalents at end of year	\$ 29,012,679	746,792	805,140
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	67,136,048	20,931	66,246
Adjustments:			
Investment income	(7,606,808)	(20,931)	(66,246)
Operating expense	144,213	-	-
Interest on bonds	-	-	-
Loan income	(63,621,341)	-	-
Amortization of bond issuance expense	-	-	-
Net cash (used) by operating activities	\$ (3,947,888)	-	-

Trusteed Fund

1995 State Match Bond Proceeds	2000 State Match Bond Proceeds	2001 State Match Bond Proceeds	2005 State Match Bond Proceeds	1995 Water Quality Bond Proceeds	1997 Water Quality Bond Proceeds	2001 Water Quality Note Proceeds
(164)	(8,296)	-	(2,867)	(15,016)	(24,739)	(3,830)
(164)	(8,296)	-	(2,867)	(15,016)	(24,739)	(3,830)
5,169,262	-	3,000,000	-	16,594,841	10,516,366	-
(5,212,107)	(3,474,738)	(3,000,000)	-	(4,798,045)	(10,516,366)	-
288,500	295,979	168,104	5,685	518,029	1,162,821	324,601
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
245,655	(3,178,759)	168,104	5,685	12,314,825	1,162,821	324,601
(674,317)	(2,312,359)	(2,276,613)	(437,282)	(150,300)	(2,543,018)	-
-	-	-	20,300,308	-	-	-
-	-	-	(155,669)	-	-	-
(5,525,000)	(6,860,000)	(4,955,000)	(20,145,403)	(5,010,000)	(6,885,000)	-
-	-	-	-	-	-	-
(248,129)	(232,013)	-	-	(3,891)	-	-
5,867,184	7,444,425	7,187,191	462,282	(7,622,091)	7,266,696	(7,967,763)
(580,262)	(1,959,947)	(44,422)	24,236	(12,786,282)	(2,161,322)	(7,967,763)
(334,771)	(5,147,002)	123,682	27,054	(486,473)	(1,023,240)	(7,646,992)
734,270	9,671,550	47,457	-	3,332,410	16,930,668	15,611,480
399,499	4,524,548	171,139	27,054	2,845,937	15,907,428	7,964,488
(384,303)	(1,815,527)	(2,019,168)	(473,063)	305,857	(2,252,183)	322,109
(278,234)	(309,078)	(125,691)	(5,772)	(457,567)	(1,187,544)	(325,939)
-	-	-	-	-	-	-
577,643	2,075,779	2,118,041	471,251	97,226	3,335,044	-
-	-	-	-	-	-	-
84,730	40,530	26,818	4,717	39,468	79,944	-
(164)	(8,296)	-	(2,867)	(15,016)	(24,739)	(3,830)

(Continued)

**OHIO WATER DEVELOPMENT AUTHORITY
WATER POLLUTION CONTROL LOAN FUND**

Schedule of Combining Statements of Cash Flows, Continued

Year ended December 31, 2005

	Trusteed Fund		
	2002 Water Quality Bond Proceeds	2003 Water Quality Bond Proceeds	2004 Water Quality Bond Proceeds
Operating activities:			
Operating expenses	\$ (16,353)	-	(20,501)
Net cash (used) by operating activities	(16,353)	-	(20,501)
Investing activities:			
Proceeds from maturity or sale of investments	5,998,694	13,244,725	194,929,964
Purchase of investments	(5,998,694)	(24,223,503)	(39,476,540)
Interest received on investments, net of purchased interest	1,682,628	247,130	10,127,630
Interest received on projects	-	-	-
Principal collected on projects	-	-	-
Payment for construction of projects	-	-	-
Net cash provided (used) by investing activities	1,682,628	(10,731,648)	165,581,054
Noncapital financing activities:			
Interest paid on bonds, net of purchased interest	(1,455,412)	(7,766,800)	(24,565,220)
Proceeds of bonds	-	-	-
Bond issuance expense	-	-	-
Redemption of bonds	(370,000)	(5,490,000)	(7,145,000)
Contribution from U.S. EPA	-	-	-
Other	-	3,891	-
Transfers (to) from other funds	(18,178,790)	24,194,236	(161,500,020)
Net cash provided (used) by noncapital financing activities	(20,004,202)	10,941,327	(193,210,240)
Net increase (decrease) in cash and cash equivalents	(18,337,927)	209,679	(27,649,687)
Cash and cash equivalents at beginning of year	55,312,901	11,191	28,502,678
Cash and cash equivalents at end of year	\$ 36,974,974	220,870	852,991
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	(2,122,828)	(6,284,360)	(10,626,320)
Adjustments:			
Investment income	(1,629,355)	(293,309)	(9,810,969)
Operating expense	-	-	-
Interest on bonds	3,713,643	6,481,860	20,253,013
Loan income	-	-	-
Amortization of bond issuance expense	22,187	95,809	163,775
Net cash (used) by operating activities	\$ (16,353)	-	(20,501)

Tusteed Fund

2004 Water Quality Rev Ref Bond Proceeds	2005 Water Quality Bond Proceeds	2005 Water Quality Rev Ref Bond Proceeds	Fund Total
(21,325)	(39,683)	(416)	(4,101,078)
(21,325)	(39,683)	(416)	(4,101,078)
3,179,570	4,522,604	9,899,617	10,194,094,128
(3,179,570)	(411,507,942)	(9,899,617)	(10,476,846,216)
37,518	918,499	132,924	22,612,289
-	-	-	57,102,324
-	-	-	99,508,529
-	-	-	(336,624,818)
37,518	(406,066,839)	132,924	(440,153,764)
(3,182,750)	(4,681,480)	(7,270,076)	(57,315,627)
-	468,715,473	249,261,858	738,277,639
-	(3,349,993)	(1,807,937)	(5,313,599)
-	-	(251,575,982)	(313,961,385)
-	-	-	77,321,215
-	-	-	(480,142)
3,167,404	(3,658,644)	11,405,077	42,650
(15,346)	457,025,356	12,940	438,570,751
847	50,918,834	145,448	(5,684,091)
44,954	-	-	157,247,713
45,801	50,918,834	145,448	151,563,622
(2,865,897)	(863,767)	(7,904,277)	30,239,498
(37,663)	(6,309,311)	(133,387)	(28,597,804)
-	-	-	144,213
2,835,565	7,051,688	7,942,093	56,952,846
-	-	-	(63,621,341)
46,670	81,707	95,155	781,510
(21,325)	(39,683)	(416)	(4,101,078)

**OHIO WATER DEVELOPMENT AUTHORITY
DRINKING WATER ASSISTANCE FUND**

Schedule of Combining Balance Sheets

December 31, 2005

	Trusteed Fund		
	Drinking Water Assistance	2001 State Match Note Proceeds	2002 State Match Bond Proceeds
<u>Assets</u>			
Noncurrent assets:			
Restricted bond and note covenant assets:			
Cash and cash equivalents	\$ 21,322,151	1,143,039	1,401,053
Investments	2,704,630	3,910	1,599,810
Loan receivables	271,086,157	15,052,091	-
Total restricted assets	<u>295,112,938</u>	<u>16,199,040</u>	<u>3,000,863</u>
Other receivables	-	-	-
Deferred bond issuance expense	-	-	223,294
Due from other funds	56,778	-	-
Total assets	<u>\$ 295,169,716</u>	<u>16,199,040</u>	<u>3,224,157</u>
<u>Liabilities</u>			
Current liabilities payable from restricted assets:			
Accrued interest	-	-	80,222
Due to other funds	77,451	-	-
Accounts payable	9,216,363	-	-
Drinking Water Assistance Revenue Bonds:			
State Match Series 2002-2004	-	-	2,230,000
Leverage Series 2002 - 2005	-	-	-
Total current liabilities payable from restricted assets	<u>9,293,814</u>	<u>-</u>	<u>2,310,222</u>
Noncurrent liabilities:			
Drinking Water Assistance Revenue Bonds:			
State Match Series 2002 - 2004, net of discount and premium	-	-	20,472,458
Leverage Series 2002 - 2005, net of premiums	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>20,472,458</u>
Total liabilities	<u>9,293,814</u>	<u>-</u>	<u>22,782,680</u>
<u>Net Assets</u>			
Restricted for debt and grant covenants	285,875,902	16,199,040	(19,558,523)
Unrestricted	-	-	-
Total net assets	<u>285,875,902</u>	<u>16,199,040</u>	<u>(19,558,523)</u>
Total liabilities and net assets	<u>\$ 295,169,716</u>	<u>16,199,040</u>	<u>3,224,157</u>

Trusteed Fund

2004 State Match Bond Proceeds	2002 Leverage Bond Proceeds	2004 Leverage Bond Proceeds	2005 Leverage Bond Proceeds	2005 B Leverage Bond Proceeds	Fund Total
7,364,821	6,390,033	37,442,485	53,117	13,029,915	88,146,614
1,815,934	3,457,880	129,749	169	50,208,913	59,920,995
-	-	-	-	-	286,138,248
<u>9,180,755</u>	<u>9,847,913</u>	<u>37,572,234</u>	<u>53,286</u>	<u>63,238,828</u>	<u>434,205,857</u>
-	-	-	-	-	-
249,556	155,046	502,781	338,037	491,737	1,960,451
-	-	-	-	-	56,778
<u>9,430,311</u>	<u>10,002,959</u>	<u>38,075,015</u>	<u>391,323</u>	<u>63,730,565</u>	<u>436,223,086</u>
117,658	72,970	244,050	159,181	496,102	1,170,183
-	-	-	-	-	77,451
-	-	-	-	79,468	9,295,831
2,095,000	-	-	-	-	4,325,000
-	1,250,000	615,000	-	385,000	2,250,000
2,212,658	1,322,970	859,050	159,181	960,570	17,118,465
32,426,767	-	-	-	-	52,899,225
-	19,085,400	68,651,600	38,651,321	62,779,089	189,167,410
<u>32,426,767</u>	<u>19,085,400</u>	<u>68,651,600</u>	<u>38,651,321</u>	<u>62,779,089</u>	<u>242,066,635</u>
34,639,425	20,408,370	69,510,650	38,810,502	63,739,659	259,185,100
(25,209,114)	(10,405,411)	(31,435,635)	(38,419,179)	(9,094)	177,037,986
-	-	-	-	-	-
<u>(25,209,114)</u>	<u>(10,405,411)</u>	<u>(31,435,635)</u>	<u>(38,419,179)</u>	<u>(9,094)</u>	<u>177,037,986</u>
<u>9,430,311</u>	<u>10,002,959</u>	<u>38,075,015</u>	<u>391,323</u>	<u>63,730,565</u>	<u>436,223,086</u>

OHIO WATER DEVELOPMENT AUTHORITY
DRINKING WATER ASSISTANCE FUND

Schedule of Combining Statements of Revenues,
Expenses and Changes in Fund Net Assets

Year ended December 31, 2005

	Trusteed Fund		
	Drinking Water Assistance	2001 State Match Note Proceeds	2002 State Match Bond Proceeds
Operating revenues:			
Loan income	\$ 8,922,954	-	-
Investment income	607,783	34,811	178,369
Administrative fees from projects	660,982	-	-
Total operating revenues	<u>10,191,719</u>	<u>34,811</u>	<u>178,369</u>
Operating expenses:			
Interest on bonds	-	-	1,000,541
Amortization of bond issuance expense	-	-	12,760
Other	2,584,523	-	1,252
Total operating expenses	<u>2,584,523</u>	<u>-</u>	<u>1,014,553</u>
Operating income (loss)	<u>7,607,196</u>	<u>34,811</u>	<u>(836,184)</u>
Contribution from U.S. EPA	14,051,780	-	-
Transfers in (out), net	41,609,516	-	2,738,768
Change in net assets	<u>63,268,492</u>	<u>34,811</u>	<u>1,902,584</u>
Net assets at beginning of year	222,607,410	16,164,229	(21,461,107)
Net assets at end of year	<u>\$ 285,875,902</u>	<u>16,199,040</u>	<u>(19,558,523)</u>

Trusteed Fund

2004 State Match Bond Proceeds	2002 Leverage Bond Proceeds	2004 Leverage Bond Proceeds	2005 Leverage Bond Proceeds	2005 B Leverage Bond Proceeds	Fund Total
-	-	-	-	-	8,922,954
569,648	529,054	1,542,156	6,153	425,496	3,893,470
-	-	-	-	-	660,982
<u>569,648</u>	<u>529,054</u>	<u>1,542,156</u>	<u>6,153</u>	<u>425,496</u>	<u>13,477,406</u>
1,084,114	1,931,844	2,684,159	836,629	496,102	8,033,389
12,478	21,198	25,139	9,658	-	81,233
6,981	11,385	6,500	-	-	2,610,641
<u>1,103,573</u>	<u>1,964,427</u>	<u>2,715,798</u>	<u>846,287</u>	<u>496,102</u>	<u>10,725,263</u>
<u>(533,925)</u>	<u>(1,435,373)</u>	<u>(1,173,642)</u>	<u>(840,134)</u>	<u>(70,606)</u>	<u>2,752,143</u>
-	-	-	-	-	14,051,780
<u>(15,480,670)</u>	<u>30,904,428</u>	<u>(22,184,023)</u>	<u>(37,579,045)</u>	<u>61,512</u>	<u>70,486</u>
<u>(16,014,595)</u>	<u>29,469,055</u>	<u>(23,357,665)</u>	<u>(38,419,179)</u>	<u>(9,094)</u>	<u>16,874,409</u>
<u>(9,194,519)</u>	<u>(39,874,466)</u>	<u>(8,077,970)</u>	<u>-</u>	<u>-</u>	<u>160,163,577</u>
<u><u>(25,209,114)</u></u>	<u><u>(10,405,411)</u></u>	<u><u>(31,435,635)</u></u>	<u><u>(38,419,179)</u></u>	<u><u>(9,094)</u></u>	<u><u>177,037,986</u></u>

OHIO WATER DEVELOPMENT AUTHORITY
DRINKING WATER ASSISTANCE FUND

Schedule of Combining Statements of Cash Flows

Year ended December 31, 2005

	Trusteed Fund		
	Drinking Water Assistance	2001 State Match Note Proceeds	2002 State Match Bond Proceeds
Operating activities:			
Administrative fees from projects	\$ 504,647	-	-
Operating expenses	<u>(2,572,687)</u>	-	<u>(1,252)</u>
Net cash (used) by operating activities	(2,068,040)	-	(1,252)
Investing activities:			
Proceeds from maturity or sale of investments	-	-	3,252,418
Purchase of investments	(2,579,325)	-	(3,182,478)
Interest received on investments, net of purchased interest	513,646	33,302	176,616
Interest received on projects	6,581,427	-	-
Principal collected on projects	8,803,268	-	-
Payment for construction of projects	<u>(66,352,910)</u>	<u>(13,500)</u>	<u>-</u>
Net cash provided (used) by investing activities	(53,033,894)	19,802	246,556
Noncapital financing activities:			
Interest paid on bonds	-	-	(1,014,256)
Proceeds of bonds	-	-	-
Bond issuance expense	-	-	-
Redemption of bonds	-	-	(2,300,000)
Contribution from U.S. EPA	14,157,336	-	-
Other	(249,915)	-	-
Transfers (to) from other funds	<u>41,609,513</u>	<u>-</u>	<u>2,738,769</u>
Net cash provided (used) by noncapital financing activities	55,516,934	-	(575,487)
Net increase (decrease) in cash and cash equivalents	415,000	19,802	(330,183)
Cash and cash equivalents at beginning of year	20,907,151	1,123,237	1,731,236
Cash and cash equivalents at end of year	<u>\$ 21,322,151</u>	<u>1,143,039</u>	<u>1,401,053</u>
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	7,607,196	34,811	(836,184)
Adjustments:			
Investment income	(607,783)	(34,811)	(178,369)
Operating expenses	11,836	-	-
Interest on bonds	-	-	1,000,541
Loan income	(8,922,954)	-	-
Amortization of bond issuance expense	-	-	12,760
Net change in other assets and other liabilities	<u>(156,335)</u>	<u>-</u>	<u>-</u>
Net cash (used) by operating activities	<u>\$ (2,068,040)</u>	<u>-</u>	<u>(1,252)</u>

Trusted Fund

2004 State Match Bond Proceeds	2002 Leverage Bond Proceeds	2004 Leverage Bond Proceeds	2005 Leverage Bond Proceeds	2005 B Leverage Bond Proceeds	Fund Total
-	-	-	-	-	504,647
(6,981)	(11,385)	(6,500)	-	-	(2,598,805)
(6,981)	(11,385)	(6,500)	-	-	(2,094,158)
2,161,409	-	-	-	-	5,413,827
(3,943,581)	-	-	-	(50,000,000)	(59,705,384)
580,443	534,929	1,511,648	5,984	216,585	3,573,153
-	-	-	-	-	6,581,427
-	-	-	-	-	8,803,268
-	-	-	-	-	(66,366,410)
(1,201,729)	534,929	1,511,648	5,984	(49,783,415)	(101,700,119)
(1,423,150)	(1,921,925)	(2,928,600)	(703,257)	-	(7,991,188)
-	-	-	41,497,528	63,164,089	104,661,617
-	-	-	(347,695)	(412,269)	(759,964)
(755,000)	(1,070,000)	-	(41,362,700)	-	(45,487,700)
-	-	-	-	-	14,157,336
-	-	-	-	-	(249,915)
(15,480,670)	(7,637,874)	(22,184,023)	963,257	61,510	70,482
(17,658,820)	(10,629,799)	(25,112,623)	47,133	62,813,330	64,400,668
(18,867,530)	(10,106,255)	(23,607,475)	53,117	13,029,915	(39,393,609)
26,232,351	16,496,288	61,049,960	-	-	127,540,223
7,364,821	6,390,033	37,442,485	53,117	13,029,915	88,146,614
(533,925)	(1,435,373)	(1,173,642)	(840,134)	(70,606)	2,752,143
(569,648)	(529,054)	(1,542,156)	(6,153)	(425,496)	(3,893,470)
-	-	-	-	-	11,836
1,084,114	1,931,844	2,684,159	836,629	496,102	8,033,389
-	-	-	-	-	(8,922,954)
12,478	21,198	25,139	9,658	-	81,233
-	-	-	-	-	(156,335)
(6,981)	(11,385)	(6,500)	-	-	(2,094,158)

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Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

Ohio Water Development Authority
480 South High Street
Columbus, Ohio 43215

We have audited the financial statements of each major fund of the Ohio Water Development Authority (the Authority), a component unit of the State of Ohio, as of and for the year ended December 31, 2005, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected in a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the State of Ohio, the Authority's Board, and management and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
March 15, 2006



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

OHIO WATER DEVELOPMENT AUTHORITY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 16, 2006**